

Basic Policy on Economic and Fiscal Management and Reform 2017

June 9, 2017  
Cabinet Decision

“Basic Policy on Economic and Fiscal Management and Reform 2017” is as described in the Attachment.



(Attachment)

Basic Policy on Economic and Fiscal  
Management and Reform 2017  
～Increasing productivity through  
investment in human resources～

June 9, 2017



# Basic Policy on Economic and Fiscal Management and Reform 2017

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## **Chapter 1 Current situation, challenges and policies for the Japanese economy**

### **1. Current situation and challenges of the Japanese economy**

#### **(1) The current situation of the Japanese economy and government initiatives to realize a Society in Which All Citizens are Dynamically Engaged**

Thanks to four and a half years of Abenomics, the nominal GDP and corporate profits are at a record high level. Employment conditions, which closely relate to people's lives, have significantly improved. The number of employed people has risen by 1.85 million. The number of regular employees, which started rising two years ago for the first time in eight years, has increased by 790,000 over the past two years, exceeding the increase in non-regular employees. The active job openings-to-applicants ratio stands above 1.0 times in all 47 prefectures for the first time in history, and the unemployment rate is 2.8%, the lowest in 22 years. Wages maintain their rising trend over the last three years, with many firms raising their base pay for the fourth consecutive year in this spring's labor-management wage negotiations. As the employment and income situation is significantly improving, a positive economic cycle is steadily beginning to turn nationwide. With regard to the outlook, the moderate recovery is expected to continue, although uncertainty regarding developments in overseas economies and the influence of fluctuations in the financial and capital markets warrant close attention.

Since last year, the government has worked to realize a Society in Which All Citizens are Dynamically Engaged, in order to overcome the structural issue of the falling birthrate and aging society. The government ensures that the positive economic cycle created by Abenomics does not end up as a temporary phenomenon but develops into a virtuous cycle of growth and distribution, where wealth generated by growth is widely shared by the citizens, by continuously promoting the "New three arrows" in an integrated manner, which consist of the realization of a 600 trillion yen economy, the desirable birthrate of 1.8, and no one forced to leave their jobs for nursing care. As the perception of labor shortage heightens in the regions, the government works to deliver the virtuous cycle to every corner of the country.

#### **(2) Realization of the virtuous cycle of growth and distribution through work style reform**

While the employment and income situation is improving, the Japanese economy faces challenges including low growth potential, sluggish consumption due to concerns regarding the future, and decreasing vitality of the middle class. Tackling these challenges

provides an opportunity to promote structural reform. It is necessary to take this opportunity to improve the quality of human capital and raise growth potential.

Work style reform, currently undertaken by the government, is the pillar of the “third arrow” of structural reform as it helps raise Japan’s growth potential. Eliminating unreasonable disparities between regular and non-regular employment, which convinces people that their abilities are fairly assessed, increases labor productivity. Correcting long working hours boosts female and elderly labor force participation, and increases labor productivity per unit of time through management’s efforts. Establishing a flexible labor market, in which changing jobs does not put the workers at a disadvantage, allows them to draw up their own career plans, encourages them to move into, or return to, high value-added industries, thereby increases productivity.

Distributing the fruits of increased productivity to the workers, designed to generate growth through higher wages and stronger demand, helps establish the virtuous cycle of growth and distribution.

### **(3) Increasing productivity through investment in human resources**

The next key is to increase the productivity of our economic society through investment in human resources.

The declining population, falling birthrate and aging population, which will intensify henceforth, do not necessarily represent a crisis or a burden, but should be seen as an opportunity for innovation. The decrease in the work-force also provides an opportunity to increase productivity and creativity. It is hoped that investments essential to the realization of Society 5.0<sup>1</sup> (a “super smart society”) generate a positive cycle toward higher productivity of the economic society.

We will overcome the mid- and long-term challenges confronting Japan by putting “Increasing productivity through investment in human resources” at the center of the reform efforts.

### **(4) Regional revitalization**

In delivering the benefit of Abenomics to every corner of the country, the government raises the average income in the regions and ensure growth potential for the future by promoting

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<sup>1</sup> The fifth society in human history, following on from the hunting society, agrarian society, industrial society, and information society. Through initiatives centering on the proactive utilization and exploitation of cyberspace, this society creates a succession of new values and services, bringing people abundance.

measures to increase local productivity through investment in human resources. It also makes full efforts to correct over-concentration in Tokyo and realize the young generation's hopes for employment, marriage and child-rearing. It helps the regions develop their maximum charms, and strongly supports the efforts of those regions that embrace the spirit of self-help.

## **(5) Boosting consumption and private investment**

Despite corporate profits at a high level and improvement in the employment and income situation, consumption and business fixed investment lack momentum. The government aims to boost consumption by increasing disposable income through continued wage increases on an annual income basis, dispelling concerns regarding the future, making effective use of assets, and actualizing potential demand. It also seeks to raise growth potential through work style reform, growth strategies, regulatory reforms, public and private investment in research and development, and measures to realize a society in which people can be active through their entire lives and Society 5.0.

In order to enhance understanding of these government initiatives among the nation's citizens and their dissemination to the rest of the world, the government will deploy proactive and effective public relations methods both domestically and overseas in order to obtain even greater understanding of the Cabinet's basic policy.

## **2. Reconstruction from the Great East Japan Earthquake, etc.**

### **(1) Reconstruction and revitalization after the Great East Japan Earthquake**

#### **1) Initiatives during the second year of the "Reconstruction and Revitalization Period"**

There can be no revival of Japan without the reconstruction from the Great East Japan Earthquake. We have now entered the second year of the Reconstruction and Revitalization Period, the latter five-year phase of the ten-year reconstruction period. Efforts thus far have helped moving toward full-scale reconstruction: the rebuilding of houses and revival of industries and livelihoods are progressing steadily, and the evacuation orders have been lifted for most of the areas affected by the Fukushima nuclear accident, with the exception of those over the "difficult-to-return zones."

The objective during the Reconstruction and Revitalization Period is to realize reconstruction that will lead to the self-reliance of the affected areas and serve as a model for regional revitalization, with a view to "wrapping up" the reconstruction period.<sup>2</sup> To this

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<sup>2</sup> Based on the "Basic Policy on Reconstruction from the Great East Japan Earthquake in the Reconstruction and

end, in addition to continuing seamless support tailored to the diverse regional and individual needs, the government achieves steady progress in the rebuilding of houses that can withstand another disaster, the formation of local communities, and the reconstruction of infrastructure as the foundation for the development of the affected areas. It also works to enable the resumption of life in new towns and the revitalization of the regions, through the formation of communities and the revival of industries and livelihoods. With regard to tourism reconstruction in Tohoku in particular, the government aims to have 1.5 million overnight stays by international visitors in the six Tohoku prefectures in 2020, and assists Fukushima Prefecture in promoting its charms nationwide and implementing projects to reinstate educational travel there. The government focuses on creative industrial reconstruction, such as securing human resources in the affected areas, exploring sales channels for processed marine products, and promoting large-scale agriculture, as well as on "Psychological recovery" through physical and mental health care and community formation.

The government decided to secure financial resources needed for reconstruction projects over the ten-year reconstruction period, forecast to reach around 32 trillion yen.<sup>3</sup> This budget ensures steady progress in reconstruction through appropriate management of the scale of the projects each fiscal year and their efficient and proper implementation.

## **2) Reconstruction and revitalization after the nuclear disaster**

The government steadily implements measures for the reconstruction and revitalization of the areas affected by the nuclear disaster, based on the "Basic Policy for Accelerating Fukushima's Reconstruction from the Nuclear Disaster."<sup>4</sup>

Decommissioning and contaminated water management, and decommissioning in the mid- to long-term, are the preconditions for the reconstruction and revitalization. The central government plays a leading role in safely and steadily achieving them, by promoting research and development, cultivating human resources, and gathering knowledge and ideas from around the world. The government works to dispel the harmful rumors persistent at home and abroad, and to address the problem of bullying. It makes concerted efforts to accelerate the establishment of and transportation to the Interim Storage Facility the disposal of radioactive contaminated waste, and the volume reduction and recycling of

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Revitalization Period" (Cabinet Decision, March 11, 2016).

<sup>3</sup> "The Scale of and Financial Resources for Restoration and Reconstruction projects during the Reconstruction Period, including the Five Years from FY 2016" (Cabinet Decision, June 30, 2015)

<sup>4</sup> "Basic Policy for Accelerating Fukushima's Reconstruction from the Nuclear Disaster" (Cabinet Decision, December 20, 2016) and the "Act on Special Measures for the Reconstruction and Revitalization of Fukushima" (Act No. 25, 2012), revised in accordance with the Basic Policy

removed soil.

To accelerate the reconstruction and revitalization of Fukushima, the government further improves living conditions in the prefecture, such as education, medical and nursing care, and shopping. Relevant ministries and agencies cooperate in steadily implementing measures aimed at a broad-based, self-reliant economic reconstruction of the Hamadori area. They include establishing various bases, facilitating practical application, developing industrial clusters and environments surrounding the bases, for the key fields identified in the Fukushima Innovation Coast Scheme,<sup>5</sup> such as robotics, decommissioning, energy, and agriculture, forestry, and fisheries. At the same time, the government proceeds with the revival of industries and livelihoods through assistance to disaster-affected operators in regaining self-reliance, restarting farming, and dispelling the harmful rumors about agricultural, forestry, and fisheries products in the process from production to distribution and sales, with the joint public-private Fukushima Soma-Futaba Reconstruction Team. In close collaboration with the prefectural and municipal governments and the private sector, the government works to give shape to the "Proposals by the Expert Review Panel on the Future Vision for 12 Fukushima Municipalities,"<sup>6</sup> compiled from a mid- to long-term and broad-based standpoint. It implements "The Fukushima Plan for a New Energy Society"<sup>7</sup> to promote the whole prefecture as a base for creating a pioneering model of a new energy society of the future.

The government is resolved to take responsibility for the reconstruction and revitalization of the "difficult-to-return zones", with a view to lifting all the evacuation orders issued there, however long it may take. Bearing in mind that there are many issues, including radiation levels, the government works to set up the Specified Reconstruction and Revitalization Bases,<sup>8</sup> as part of its step-by-step approach toward reconstruction.

Since the reconstruction and revitalization of Fukushima requires mid- and long-term efforts, the central government continues to take the lead after the Reconstruction and Revitalization Period.

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<sup>5</sup> "Fukushima International Research and Industrial City (Innovation Coast) Scheme" (June 23, 2014, Fukushima International Research and Industrial City (Innovation Coast) Scheme Study Group)

<sup>6</sup> "Proposals by the Expert Review Panel on the Future Vision for 12 Fukushima Municipalities," compiled by the Expert Review Panel on the Future Vision for 12 Fukushima Municipalities and issued on July 30, 2015). The 12 municipalities are Tamura City, Minamisoma City, Kawamata Town, Hirono Town, Naraha Town, Tomioka Town, Kawachi Village, Okuma Town, Futaba Town, Namie Town, Katsurao Village, Iitate Village.

<sup>7</sup> "The Fukushima Plan for a New Energy Society" (September 7, 2016, decision by the Council for the Realization of the Fukushima Plan for a New Energy Society)

<sup>8</sup> Specified Reconstruction and Revitalization Bases are part of the "difficult-to-return zones", where the government seeks to lift the evacuation orders and enable returnees and others to live.

## **(2) Responses to the Kumamoto Earthquakes**

More than a year has passed since the Kumamoto Earthquakes of 2016, which caused immense damage centered on the Kumamoto region. Measures toward the recovery and reconstruction of the affected areas and the revival of local industries are progressing steadily. They include restoring infrastructure such as water, gas, and electricity; providing assistance to the affected people through the construction of all the emergency temporary housing units required; reviving livelihoods through the recovery of damaged facilities; and promoting tourism through discount tour packages.

However, there are still many issues to be tackled, including the rebuilding of the lives of the affected people. The government ensures the recovery and reconstruction by utilizing the FY 2016 supplementary budget and the FY 2017 budget.

In order to achieve a speedy rebuilding of their lives, the government works to secure housing by providing public housing and helping rebuild their own houses. It also proceeds with the disposal of disaster waste and the restoration of damaged infrastructure, such as roads and railroads.

The government establishes a comprehensive support system to prevent isolation and promote mental health of the affected people, including visiting their homes, giving advice on their daily lives, and promoting interaction among them.

The government provides comprehensive assistance in rebuilding the business of the small and medium enterprises as the key player in the area's economy and employment. This includes subsidies to groups of small and medium enterprises for the restoration of facilities and equipment, and financing support through policy finance and credit guarantees. It also continues quality support, such as restoring agricultural land and facilities, for the recovery and reconstruction of the key industries of agriculture, forestry, and fisheries. The government works to support tourism, restore Kumamoto Castle, and improve the airports and harbors, in order to help Kumamoto recover its interchange functions. It aims to expand human support for the affected municipalities.

The government, deeply connected to the pain of each victim, continues concerted efforts for rebuilding lives, reviving livelihoods, and reconstructing the affected areas as soon as possible.

## **Chapter 2 Priority issues for the expansion of a virtuous cycle of growth and distribution and for mid- to long-term development**

In order to realize "Increasing productivity through investment in human resources," the government aims to encourage investment and innovation at the same time as promoting work style reform. Consumption in will be revitalized in order to bring about sustained economic growth. Moving ahead with regional revitalization and support for small and medium enterprises, the means for safe and secure lives, as well as the foundations of economic society, will be secured.

The following concrete initiatives will be undertaken.

### **1. The realization of a society whose citizens play active roles throughout their lives through work style reform and investment in human resources**

In order to raise labor productivity and accelerate the virtuous cycle of growth and redistribution, at the same time as speedily implementing work style reform initiatives, the government will strengthen investment in human resources as an anticipatory investment in the future, aiming to bring about a society whose citizens play active roles throughout their lives.

#### **(1) Work Style reform**

Work Style reform will be promoted in close accordance with "The Action Plan for the Realization of Work Style Reform,"<sup>9</sup> drawn up by mutual consensus of the Council for the Realization of Work Style Reform, chaired by the Prime Minister and bringing together top leaders members from labor and management. Where revisions to the legislation are required, bills will be submitted to the Diet at an early stage. Since this revision will have huge influence on activities of companies including SMEs, we will keep companies informed and ensure sufficient preparatory period before the enforcement.

#### **1) Improvement in the working conditions of non-regular workers such as by providing equal pay for equal work**

We will firstly present a large-scale vision. The vision will indicate that promoting fair decision of evaluation and working conditions of regular workers, part-time workers, fixed-

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<sup>9</sup> "Action Plan for the Realization of Work Style Reform" (Issued by the Council for the Realization of Work style Reform on March 28, 2017)

term workers and dispatched workers according to their job contents, achievement, capacities and experiences will contribute to the development of our economy and society through enabling workers to effectively manifest their capacities.

Then, we will revise related legislative rules to prepare basis of the draft guidelines, which will enable workers to get relief in legal battles (judicial ruling), to ensure effectiveness of the draft government guidelines on equal pay for equal work.

In this way, through the efforts of eliminating the irrational gap between regular and non-regular workers of the same firm or organization, we will enable workers to be treated with their consent no matter what kind of work styles they choose and then to banish the term “non-regular employment” from this country.

In particular, we will revise the Part-time Workers Act,<sup>10</sup> Labor Contracts Act,<sup>11</sup> and Workers Dispatching Act.<sup>12</sup>

- i) We will prepare rules which will be the grounds for judicial ruling required by workers. Present rules impose no regulations that ensure equal pay and equal allowances (fair treatment) taking the essence and nature of basic pay and various allowances, when there is no difference in the conditions, for fixed-term workers. We have no regulations that ensure pay that reflects the difference (balanced treatment) if there is one, taking the essence and nature of basic pay and various allowances, for dispatched workers, without mentioning fair treatment for them. For these reasons, we will revise laws in order to require fair treatment for fixed-term workers, and to require balanced and fair treatment for dispatched workers. We will clarify the rules on balanced treatment for workers including part-time workers.
- ii) It will become obligatory to explain treatment for workers. In order to make sure that workers are not prevented from resorting to legal actions because of the information owned only by companies, the planned revision will introduce obligations of explaining the contents of the treatment applied to fixed-term workers to the workers themselves when companies hire them. Also, the planned revision will impose obligations of explaining the reasons of the gaps in the treatment between part-time workers/fixed-term workers/dispatched workers and comparable workers, by requests from the workers, after companies hire them.
- iii) We will operate Alternative Dispute Resolution (ADR) and enable workers requiring

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<sup>10</sup> Act on Improvement, etc. of Employment Management for Part-time Workers (Act No. 76, 1993)

<sup>11</sup> Labor Contracts Act (Act No. 128, 2007)

<sup>12</sup> Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Act No. 88, 1985)

balanced/fair treatment to utilize it free of charge.

- iv) We will prepare rules imposing on dispatch destinations the obligations of giving information on working conditions of workers in dispatch destinations to dispatching business operators. We do not require balanced/fair treatment between dispatched workers and workers in dispatch destinations if labor agreements, which satisfy the wage levels are the same or more than those of general workers engaged in similar works and are regarded as ones which sufficiently protect dispatched workers, are made and also is actual implementation.

In addition, we require related agencies to hold briefing sessions, prepare information/consultation desks, and respond conscientiously to both labor and management, considering the actual situations of SMEs. Furthermore, we will provide supports for the promotion of transition from non-regular workers to regular positions and the wage increase. We will also provide supports for companies working on building communalized systems of working conditions, which include not only wages but also other allowances, for both regular and non-regular workers.

## **2) Improvement in long working hours**

The government will revise the Labor Standards Act,<sup>13</sup> revising legislation that will concretely establish a limit on overtime work with penal regulations, a limit that cannot be exceeded even under the so-called Article 36 agreement.

In concrete terms, we will define the maximum hours of overtime work permitted in principle over 40 hours per week as 45 hours per month and 360 hours per year. We will impose penalties for any violations other than the following special cases where the maximum hours of overtime work are defined as 720 hours per year and cannot be exceeded even in cases with consensus on temporary and special situations between labor and management. In addition, within this upper limit of 720 hours per year, a minimal limit for a case of a temporary increase of the amount of work, which also cannot be exceeded, is established.

In regard to this minimal limit, we require the following conditions to be preserved.

- i) All of the 2-month, 3-month, 4-month, 5-month and 6-month means of overtime working hours including working on holidays must be within 80 hours.
- ii) Overtime working hours of any single month including working on holidays must be less than 100 hours.

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<sup>13</sup> Labor Standards Act (Act No. 49, 1947)

iii) Considering the maximum hours of overtime work permitted in principle over 40 hours per week are defined as 45 hours per month and 360 hours per year, we do not allow special exceptions, which exceed these principles, to be applied in more than half a year, which means the exceptions can be applied 6 times a year at maximum.

Furthermore, in order to shorten the overtime working hours as possible, we will create new rules, which will set up guidelines, within the Labor Standards Act. Based on these guidelines, related administrative agencies will be able to offer advice and guidance for employers and labor unions.

Within a discussion with attendance of both labor and management, we will discuss enhancement of measures against power harassment in workplaces. In addition, we will discuss setting new goals of measures for mental health within a policy outline based on the Act on Promotion of Measures for “karoshi” and revise our government goals.

In addition, we will revise the Act on Special Measures for Improvement of Working Hours Arrangements to impose on companies the obligations of making efforts of ensuring a certain period of break between the start time of a day and the finish time of the day before. In order to spread this system, we will establish an intellectual meeting which includes labor and management.

Moreover, we will conduct a review at a proper time after 5 years from the enforcement of the Act if necessary.

Measures concerning the treatment of exemptions under the current system will be designed as laid out below, keeping in mind the actual situation. Automobile driving work: after 5 years from the enforcement of the general rules of the revised Act, we will impose on this industry a regulation defining the maximum hours of overtime work permitted as 960 hours per year. Also, we will establish a rule stipulating that we will try to apply the general rules to the industry in the future. Construction work: After 5 years from the enforcement of the general rules of the revised Act, we will apply the general rules to the industry (while we will not apply conditions which require overtime working hours to be less than 100 hours in a single month and within 80 hours on 2-month or 6-month average in cases of restoration or reconstruction). At the same time, we will establish a rule stipulating that we will try to apply the general rules to the industry in the future. Medical doctors: after 5 years from the enforcement of the revised Act, we will apply the regulations to the medical community. In order to achieve this, we will discuss with attendance of the community, and draw a conclusion on related regulations 2 years from now. Research and development of

new technologies and products: we will exempt this type of work after clarifying regulation subjects in order not to broaden the present regulated range, on the presupposition that we will impose on companies the obligations of effectively ensuring workers' health.

The Article 33 of the Labor Standards Act prescribes that working hours can extend in inevitable cases such as responses to unexpected accidents or disasters. We will extend this measure.

Furthermore, in preparation for the implementation of the revised law, initiatives to improve transaction terms will be promoted for each industry. In regard to automobile driving work, we will establish an inter-ministry discussion forum. We will establish and conduct action plans. In regard to truck transportation companies especially, we will establish guidelines. Also, we will conduct necessary measures and supports toward the improvement in productivity and the cooperation of shippers. For the construction work, we will establish a discussion forum consisting of related parties including ordering parties and support efforts of the industry. In regard to IT industry, we will encourage the industry to correct overtime work by following up its quantitative goal, which was set by its industry groups.

In addition, industrial medicine and occupational health functions will be enhanced in order to ensure the health of workers.

In order to strengthen the enforcement of working hours regulations, expanded use of the non-governmental sector is planned to complement the work of labor standards inspectors.

Small and medium enterprises, whose business relationships are weak, tend to have long working hours in order to respond to demands for short delivery times from companies making orders or to demands from customers. Even greater efforts will be made to promote the revision of trading customs and the optimization of terms and conditions.

We will establish a Sophisticated Professional System and revise the Discretionary Working System for Management-related Work. We will try to promptly pass this proposal for revision of the Act in the Diet, in order to support self-realization of Workers with Motivation and Abilities.

### **3) Promotion of Flexible Work Styles**

The government will revise guidelines for employment-type telework,<sup>14</sup> adding other forms

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<sup>14</sup> "Guidelines for the Appropriate Introduction and Implementation of Working from Home using Information and

of working to working from home, clarifying the use of flex-time systems, and recommending measures to prevent long working hours, such as restriction of late-night work. Furthermore, guidelines for necessary security measures<sup>15</sup> will also be revised.

The present situation surrounding ways of working styles like employment, such as non-employment-type telework, will be grasped, and a conference will be established to discuss the need for legal protections. Moreover, guidelines for ordering parties of non-employment-type telework will be revised, and the rules required of intermediary agents will be clarified.

Side jobs/multiple jobs will be promoted, taking the approach that they are to be accepted in principle, while also taking into consideration workers' health. Referring to legal precedents in the past and theoretical discussion, the rule that side jobs/multiple jobs cannot be banned without reasonable reasons will be clarified. At the same time, in order not to invite long working hours, guidelines incorporating ways to manage working hours will be drawn up and the model rules for employment will be revised.

#### **4) Balancing treatment for an illness, child-raising, or care of the elderly with work; promoting employment for those with disabilities**

With the aim of supporting workers who are balancing treatment for an illness with work, a support manual for companies will be drawn up and disseminated, listing points to be considered in supporting employees in this situation, including treatment methods for and characteristic symptoms of each disorder. A trial support system will be constructed, consisting of the doctor in charge of treatment, a company or industrial doctor, and a coordinator who provides close support to patients working while receiving treatment. In addition, efforts will be made to combat chronic pain.

Bearing in mind future improvements to the number of children on waiting lists, at the same time as moving ahead with efforts for the provision of childcare from FY 2018 onwards based on the Plan for Raising Children in Peace of Mind, overall measures to secure human resources will be discussed. Together with this, more places will be provided at after-school clubs. In order to encourage men to participate in child-raising, at the same time as carrying out a comprehensive review of the nature of the parental leave system, a

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Communication Equipment," an appendix to "The Revision of Guidelines for the Appropriate Introduction and Implementation of Working from Home using Information and Communication Equipment" (Notification No. 0728001, issued by the Director-General of the Labor Standards Bureau, Ministry of Health, Labour and Welfare, dated July 28, 2008)

<sup>15</sup> "Remote Working Security Guidelines (Version 3)" (laid down by the Ministry of Internal Affairs and Communications, March 29, 2013)

"visualization"<sup>16</sup> of the actual uptake of parental leave by men under the Act on Advancement of Measures to Support Raising Next-Generation Children<sup>17</sup> will be considered.

Efforts will be made to assure the provision of care services for at least 500,000 elderly people by the start of the 2020s.

Efforts will be made to promote employment of people with disabilities through measures such as their acceptance by companies which currently have zero employees with disabilities, and support in working from home. In addition, at the same time as supporting careers education for people with disabilities, a collaborative framework between educational institutions, relevant government agencies, and companies will be established in order to provide seamless, organic support with education and finding employment that is tailored to the characteristics of each disability.

### **5) Acceptance of Foreign Workers**

In order to be even more proactive in accepting high-level foreign workers, we will move ahead with promoting the clarification of job contents within companies and fair evaluation and working conditions, putting in place work environments where these workers can work well using English, providing sufficient Japanese-language education and other aspects of the living environment, promoting matchings supports, and utilizing a Japanese Green Card for High-level Foreign Workers.

In addition, in order to ensure sustainability of economic and social infrastructure, the Government will advance comprehensive, detailed and sincerely study on approaches to accept foreign human resources while focusing on the field where they are truly required.

### **6) Support for Career Change or Reemployment Opportunities to Industries with the Capacity to Absorb a Large Amount of Employment**

In order to expand diverse opportunities of employment regardless of ages, we will compile guidelines for promotion of acceptance of workers changing their jobs and request industries to act based on them. Moreover, we will also provide supports for internships opportunities for workers changing their jobs or seeking to reemployed under the collaboration between companies and universities.

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<sup>16</sup> Information and data will be collected, analyzed, and processed to allow for ease of comparison, and released to the public in a format that is easy to understand and utilize.

<sup>17</sup> Act on Advancement of Measures to Support Raising Next-Generation Children (Act No. 120, 2003)

## **7) Preparation of an environment which facilitates the active participation of young people; promotion of employment for seniors**

In order to allow the generation which experienced the "employment ice age," as well as young people, to play active roles, concentrated support will be provided to move them into regular employment based on their work experience and job skills. Furthermore, education advice and support will be given to enable those who left senior high school partway through to obtain a senior high school qualification.

Companies which extend the mandatory retirement age beyond 65 or extend the period of continued employment will receive substantial support, putting in place an environment which encourages the raising of the age of continued employment. The period until FY 2020 will be designated as the period for concentrated action, subsidy measures will be enhanced, and at the end of the period for concentrated action, the state of the system to raise the age of continued employment will be re-examined. Concrete consideration will be given to raising the mandatory retirement age of government employees. Moreover, the development of employment opportunities enabling seniors with a wealth of skills and experiences to make broad contributions to society by the Hello Work job centers will be enhanced.

## **(2) Human resource investment and education**

### **1) Drastic reinforcement of investment in human resources**

The intergenerational cycle of poverty should be broken, and a society in which all children have hopes for the future, regardless of the economic circumstances of their family, and are able to strive for their dreams will be created. Moreover, a Society in Which All Citizens are Dynamically Engaged, in which each person has a reason for living and can exercise their talents to the full, will come into being. Education has an extremely significant role to play in this.

It was precisely the introduction of the system of nine years of free compulsory education at elementary and junior high school which acted as one of the major driving forces behind post-War growth. 70 years on, at a time when both society and the economy are undergoing widespread transformation, diverse educational opportunities must be truly opened up to all citizens. As a first step, in order to quickly realize free preschool education/nurseries and to eliminate childcare waiting lists, the government will consider how to proceed to secure stable financial resources including promotion of fiscal efficiency, taxes and new social insurance system, and a conclusion will be reached by the end of the year. Also, the government will hold urgent discussions on how to implement reforms to drastically strengthen investment in human resources across the entire society including

higher education.

## **2) Improvement of the quality of education, etc.**

With the aims of attaining a world-class standard of scholastic ability and improving fundamental academic skills, putting in place a system for the smooth implementation of the new curriculum guidelines, at the same time as various constraints, such as disability, bullying, school refusal, or insufficient Japanese-language ability, nurturing children's ability to become independent members of society, will be overcome. Taking into account the difficult work realities of teaching staff, the government will move ahead with the implementation of appropriate management of working hours and the careful selection of responsibilities in order to make work more efficient. At the same time, the situation of long working hours will be speedily rectified through a review of the treatment of teaching staff, bearing in mind the effective enhancement and enrichment of the system of school instruction and administration and the work situation, and an emergency plan will be drawn up by the end of the year. Moreover, the construction of "team school" management structures; collaboration and co-operation between schools and their local communities; the computerization of education, including the development of information literacy; the promotion of preschool education; and the development of safe and secure school facilities will be encouraged. Plans to strengthen the educational environment and functions at schools for Japanese students overseas will be drawn up. In addition, lifelong learning activities for people with disabilities will be enriched.

In order to improve access to education, the financial resources for preschool education will be secured, moving in stages towards making it free. At the same time, from the standpoint of providing sure support for progression to higher education, the measures needed to alleviate the financial burden, such as the smooth and steady implementation of the newly introduced student grant system and the system of student loans repayable in line with income, interest-free student loans, and the reduction or waiving of tuition fees, will be taken forward. At the same time, the financial resources to do so will be secured.

Moreover, with the aim of improving the quality of university education, the curriculum and the distribution of subsidies to private universities on the basis of educational outcomes will be reviewed, and the "visualization" of the quality and outcomes of university education, the public disclosure of information, and stricter assessment practices will be promoted, striving to strengthen the foundations of knowledge. Furthermore, the appointment of personnel from outside will be encouraged, moving ahead with governance reform and other initiatives to strengthen management. In order to encourage the restructuring of universities, bearing in mind the falling birthrate and changes in the economic society,

frameworks which permit alliances between and mergers of universities beyond the limits of the bodies which founded them will be examined, as well as the establishment of frameworks which permit the smooth withdrawal from or the continuation of operations of universities suffering from financial difficulties.

By giving shape to the Leading Graduate School Program (tentative name) and making education at National Institutes of Technology more advanced, human resources will be developed and secured through the strengthening of education and research hubs and the Leading Initiative for Excellent Young Researchers. Furthermore, the internationalization of universities will move ahead through support for study overseas and encouragement of the acceptance of foreign students and researchers.

Together with this, aiming to establish the necessary educational foundations for effective investment in human resources, and bearing in mind the recommendations of the Education Rebuilding Implementation Council, a new Basic Plan for the Promotion of Education will be drawn up within this year, and comprehensive initiatives will be promoted.

### **3) Promotion of recurrent education, etc.**

Supporting workers to move into or return to work in industries with a high employment capacity and labor productivity leads to an improvement in the labor participation rate and productivity of the nation as a whole. Moreover, the pace of change in the economic and social environment surrounding companies is accelerating, and it is becoming difficult, in terms of both technology and financial resources, for companies to carry out all their human resources development internally. For these reasons, mechanisms for regional human resources development will be constructed with the participation of prefectural governments, universities, high schools, public research organizations, local industry, and others. In addition, promotion of recurrent education, through the amplification and diversification of easily accessible courses and the expansion of the scope of education and training benefits, will support women who have left work in returning to work or finding new jobs and allow working people to retrain. Moreover, in addition to encouraging the establishment of Professional Universities providing practical, career-oriented education and the development of practical, professional education programs in fields such as food and tourism<sup>18</sup> at universities, etc. in order to develop management personnel who will raise the productivity of the service industries, efforts will be made to promote careers education and encourage the utilization of the school management council system (Community Schools) at high schools.

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<sup>18</sup> Including the fields of agriculture, design, fashion, healthcare, IT, contents creation, etc.

### **(3) Measures to address the falling birthrate, support for children and child-raising**

Aiming to secure intergenerational equity in social security, the government will work to realize a social security model for all generations. In order to do so, measures to address the falling birthrate and support child-raising will be expanded, including the elimination of waiting lists for childcare and the combating of child poverty.

While continuing to make plans for the use of business-led childcare provision, the provision of diverse childcare options will be expanded, aiming to eliminate waiting lists and, at the same time, initiatives based on the Plan for Raising Children will be taken forward, bearing in mind the situation in each local government area, and simultaneously securing stable financial resources.

In order to secure childcare personnel, in addition to improving the treatment of childcare professionals<sup>19</sup>, a comprehensive range of measures will be taken including securing and developing diverse human resources, reducing workloads by raising productivity, and promoting the establishment of an even safer and more comfortable working environment. Furthermore, in order to improve the quality of support for children and child-raising even further, appropriate financial resources will be secured, including from sources other than the consumption tax.

At the same time as providing support for people to realize their aspirations of marriage, the system of support for child-raising, including for multiple births, will be expanded to provide seamless support from pregnancy through to child-raising. Besides working for the expansion of counseling services on infertility treatment, the promotion of community-wide activities in support of children's learning and growth, the enhancement of the system of pediatric and perinatal medical care, and support for children requiring medical care, childcare for sick children will be promoted. Moreover, empty classrooms will be put to use for the provision of afterschool clubs and classes.

As measures to break the intergenerational cycle of poverty, efforts will be made to create spaces for children and provide study support; promote child-raising in society, such as through plenary adoption and fostering; support single-parent households; support women and their children facing issues such as violence from a partner; support society-wide initiatives to combat child poverty, such as the roll-out of a national campaign and the

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<sup>19</sup> Including the staff of the childcare institutions recognized under the new system of support for children and child-raising, kindergartens, etc.

creation of community networks; and take measures to prevent child abuse, such as encouraging the establishment of child consultation centers.

#### **(4) Promotion of women's participation and advancement in the workplace**

In order to accelerate women's active participation in the workplace, initiatives will include the thorough "visualization" of information about women's active participation and the encouragement of its utilization, work style reform, female leaders training, the change of men's awareness and lifestyles, the eradication of all forms of violence against women, and the establishment of systems and the foundation to support women's active participation, encouraging autonomous initiatives in each field, at each level, and in each region of the country.<sup>20</sup>

Based on Bearing in mind the state of implementation of the Act on Promotion of Women's Participation and Advancement in the Workplace,<sup>21</sup> by FY 2018, the necessary revisions will be examined to ensure that information of individual companies such as working hours and other relevant matters is made publicly available. Moreover, the government will promote support for and the publication of information on companies which are proactive towards women returning to work after leave for child care.

The further expansion of the coverage of employee insurance for those working short hours will be examined, and necessary measures will be enforced. Positive initiatives to review spouse allowances by companies will be encouraged, through sincere labor-management discussions.

## **2. Acceleration of growth strategies, etc.**

Based on the "Growth Strategy 2017,"<sup>22</sup> which aim at the realization of a 600 trillion yen economy, the following growth strategies will be forcefully promoted.

In order to realize mid- to long-term growth, Society 5.0, which will bring solutions to various social issues, will be successfully implemented here in advance of the rest of the world. This will happen by incorporating the innovations of the Fourth Industrial Revolution which are being generated rapidly in recent years, such as the Internet of Things, big data, artificial intelligence (AI), robots, and the sharing economy, into every industry and social life.

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<sup>20</sup> "The Intensive Policy to Accelerate the Empowerment of Women 2017" (Issued by the Headquarters for Creating a Society in which All Women Shine on June 6, 2017)

<sup>21</sup> "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64, 2015)

<sup>22</sup> "Growth Strategy 2017" (Cabinet Decision, June 9, 2017)

In this process, a changeover will take place to a new industrial system (Connected Industries) which links together various different things, such as objects with other objects, people with machines or systems, people with technology, companies with companies from a different industry, people with other people across generations, or manufacturers with consumers.

## **(1) Initiatives aiming at the realization of Society 5.0**

### **1) Strategic areas**

Concentrated investment of national policy resources will focus on the following five areas.

- i) The extension of healthy life expectancy: a new prevention, medical care, and nursing care system will be constructed, centered on health management, prevention of illness and the need for nursing care, and support for independent living.
- ii) The realization of the mobile revolution: distribution will be made more efficient and mobile services more advanced. Efforts will focus on the testing of self-driving cars on public roads, the popularization of vehicles featuring safe driving support, and the expansion of the industrial use of drones, leading to a reduction in traffic accidents and solutions to the issues of labor shortages in the workplace and mobility impairment.
- iii) The implementation of next-generation supply chains: revolutionary products and services will be created which meet the needs of individual customers and consumers.
- iv) The creation of comfortable infrastructure and communities: major needs exist, such as the construction of facilities and the renewal and disaster-proofing of aging facilities connected with the Olympics and Paralympics; however, efficiency and safety will be balanced, spreading stable maintenance and renewal practices.
- v) FinTech: improvements will be made to the convenience of finance-related services for users, which will also be linked to improvements in the ability of companies to raise funds and in productivity and profitability.

### **2) Cross-cutting issues**

The government will work to strengthen common foundations in order to create sources of value.

First, a "sandbox" regulatory system will be established as a mechanism for the encouragement of innovation through concrete verification in society. By limiting participants and the duration, this framework, which permits a "try it and see what happens" approach, will be set up as a blank sheet, without being limited by the existing framework.

Second, the foundations for the utilization of data will be constructed in order to form new social infrastructure for the thorough utilization of the data possessed by the public and

private sectors. Data will be opened up for public use through "public-private round tables," etc., and a legislative system to encourage secure data circulation will be put in place. Moreover, support for international standardization and rule-making activities in the private sector will be expanded, and the ways of public-private collaboration, including a command center for the acquisition of international standards (government CSO <sup>23</sup>), will be considered.

Third, human resources investment and labor mobility will be made smoother, in preparation for the realization of Society 5.0. Since IT personnel will be needed not only by the IT industry but by every industry, a "Focused Emergency Plan for the Strengthening of IT Ability," which enhances support for individuals, including routes for motivated working people to study, will be drawn up and focused investment of government resources will be made.

Fourth, regulatory reform, the simplification of government procedures, and the increased use of IT will be promoted in a unified manner. The incorporation of enterprises will be moved online and brought together into a single place, trade procedures will be optimized overall, court procedures will move towards greater use of IT, and the use of blockchains for government procurement will be promoted.

Fifth, an innovation venture ecosystem will be constructed which involves industry and is able to spontaneously and continuously generate excellent research and development and ventures across society as a whole. Furthermore, command center functions for AI will be strengthened.

## **(2) Measures to improve productivity**

### **1) Develop the national movement to improve productivity**

A national movement headed by the Prime Minister, which applies the knowhow of the manufacturing industry, such as "Kaizen" improvement activities, to develop concrete knowhow for the improvement of labor productivity based on samples from each field and type of industry, will be rolled out to small and medium-sized enterprises and service industries nationwide, who suffer from a labor shortage. Together with this, we will provide supports for regional small and medium-sized enterprises and service industries which are actually working to improve productivity.

An evaluation system for the skills required by personnel in the service industries will be

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<sup>23</sup> CSO is the abbreviation for Chief Standardization Officer.

established and disseminated.

## **2) Strengthening of corporate governance**

The "earning power" of Japanese companies is definitely improving, with ordinary profits reaching record levels, but Western companies still have a big lead. For this reason, the drive for corporate governance reforms will persist, enabling companies to avoid falling into the trap of excessively short-term or speculative transactions, but rather to direct their profits towards investment in research and development, facilities and equipment, and human resources. Moreover, it is also important to strengthen mid- to long-term growth potential and profitability, e.g. through ESG (environment, society, governance) investment.

## **(3) Encouragement of investment**

Investment will be encouraged to unleash technological innovation which transforms society and enriches people's lives.

Direct investment by foreign companies will be encouraged, as this can be expected to introduce a diversity of cultures, new business models, and research and development of cutting-edge technologies.

## **1) Innovation promotion**

At the same time as promoting research and development across the entirety of the public and private sectors, based on the "Fifth Science and Technology Basic Plan,"<sup>24</sup> the government will work to strengthen capacity in basic science and fundamental technology, to promote open innovation at companies, universities, the National Research and Development Agency, etc., and to enhance their functions. In order to guide the policies of each ministry towards areas with high returns on private research and development investment, steady preparations will be made for the establishment of the "Public/Private R&D Investment Strategic Expansion Program" through the "Public-Private Investment Promotion Fund for Science and Technology Innovation (tentative name)," which is to be established in FY 2018. The Council for Science, Technology and Innovation issued "Towards the Promotion of Society 5.0 and the Achievement of the Government Targets for Research and Development Investment" in April this year. Bearing in mind that a target for research and development investment by private companies of 3% of GDP was declared in response to this, the target for government research and development investment will be set at 1% of GDP and the government will strive to secure a budget on the required scale, while ensuring conformity to the "Plan to Advance Economic and Fiscal

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<sup>24</sup> "Fifth Science and Technology Basic Plan" (Cabinet Decision, January 22, 2016)

Revitalization." If the nominal growth rate of GDP during the period covered by the "Fifth Science and Technology Basic Plan" is calculated based on the economic revitalization case in the "Mid- to Long-term Economic and Fiscal Trial Calculations," the scale of total government research and development investments comes to around 26 trillion yen. Moreover, the public and private sectors will join forces on the realization of Artificial Intelligence Technology Strategy, cybersecurity measures such as human resource development utilizing overseas expertise, the promotion of intellectual property strategy,<sup>25</sup> and the international standardization of cutting-edge technologies.

## **2) Encouragement of foreign direct investment in Japan**

The government will identify and attract foreign direct investment projects in Japan through the promotion by the Prime Minister and Cabinet ministers, and the cooperation among Japan's diplomatic missions abroad, the Japan External Trade Organization (JETRO), and local governments.

The government will implement measures in the "Final Report"<sup>26</sup> by the Working Group for Revising Regulations and Administrative Procedures of the Council for Promotion of Foreign Direct Investment in Japan to reduce the burden of regulations and administrative procedures on foreign companies, including amelioration of the procedures for payment of capital and acquisition of signature certificates at the time of incorporation, the necessary preparations for status of residence procedures to go online in FY 2018. Furthermore, with the collaboration of the relevant ministries and agencies, JETRO makes efforts to disseminate more information on business and government policy in foreign languages and improve consultations for foreign companies. The translation of Japanese laws into foreign languages will continue to be promoted.

## **(4) Promotion of regulatory reform**

At the same time as generating innovation in response to the changes in the economic environment and increasing the range of options available to the nation's citizens through new products and services, systems to support a variety of work styles and labor mobility will be put in place, and regulatory reform to remove the factors obstructing the economic revitalization of the regions will be promoted even further.

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<sup>25</sup> Based on the "Intellectual Property Promotion Plan 2017" (issued by the Intellectual Property Strategy Headquarters on May 16, 2017)

<sup>26</sup> "Final Report by the Working Group for Revising Regulations and Administrative Procedures" (issued by the Working Group for Revising Regulations and Administrative Procedures, Council for Promotion of Foreign Direct Investment in Japan on April 24, 2017)

The points determined in the "Implementation Plan for Regulatory Reform"<sup>27</sup> will be implemented, and the Council for Promotion of Regulatory Reform will decide upon the priority matters for follow-up in order to assess the progress of the reform.

### **1) Promotion of National Strategic Special Zones**

With the two-year period until the end of this fiscal year as the "period of intensive reform," carrying out the reforms to the remaining "bedrock regulations," and rapidly take legislative measures for the establishment of a "regulatory sandbox" system, which will encourage the validation of "near-future technologies," in the National Strategic Special Zones. Moreover, it is aimed to carry out the fourth round of designations of Special Zones within this year. In doing so, proactive consideration will be given to designating areas hit by disasters.

### **2) Initiatives to reduce the cost of government procedures**

In order to ameliorate the nation's business environment and raise the productivity of businesses, a unified approach will be taken to regulatory reforms, and simplification and IT utilization of government procedures, from the perspective of private businesses. In accordance with the "Report by the Working Group for Administrative Procedures" of the Council for Promotion of Regulatory Reform,<sup>28</sup> it is aimed to reduce the costs of government procedures by at least 20% by 2020.

## **(5) Generation and expansion of new markets which promise growth**

### **1) A Cultural and Artistic Nation**

At the same time as drawing up a "Cultural Economy Strategy (tentative name)" and promoting development in the direction of culture which earns money, efforts will be made to strengthen the functions of the Agency for Cultural Affairs, such as comprehensive promotion of policy, in order to respond to new policy needs. The period until 2020 will be designated as the phase for focused promotion of cultural policy, and initiatives to establish a national brand through culture and to expand the economic scale of the cultural industries (cultural GDP) will be promoted. The government will work to secure effective support for cultural and artistic activities and opportunities for children to experience and learn from them, human resources development, the promotion of artistic and cultural activities for people with disabilities, and the dissemination of attractive Japanese culture, using the

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<sup>27</sup> "Implementation Plan for Regulatory Reform" (Cabinet Decision, June 9, 2017)

<sup>28</sup> "Report by the Working Group for Administrative Procedures—Towards Reducing the Cost of Administrative Procedures" (issued by the Working Group for Administrative Procedures, Council for Promotion of Regulatory Reform on March 29, 2017). The three core principles for simplification are to be "Thorough digitization of administrative procedures," "Only once for the same information," and "Standardization of forms and styles."

opportunities provided by the Cultural Olympiad and Japonisme 2018.<sup>29</sup> At the same time, the functions of national cultural facilities will be strengthened, and plans will be made to preserve, utilize, and transmit cultural properties by putting in place central functions pertaining to opening up and utilizing cultural properties, and measures for a digital archive will be promoted.

Moreover, information hubs will be put in place for the media arts, such as manga, anime, and computer games, of which our nation is justly proud.

Measures related to Meiji 150 anniversary<sup>30</sup> are promoted. Initiatives to construct new facilities for the National Archives in order to enrich its display functions will be taken forward, while considering the role sharing with the existing facilities.

## **2) A Sports Nation**

Aiming to create a Sports Nation, at the same time as moving ahead with raising international competitiveness, realizing a lifelong sporting society, furthering health promotion, international exchange and cooperation through sports, and sports for people with disabilities, the sports will be turned into a growth industry through such as reforms to stadiums and arenas and regional revitalization centered on sports will be promoted.

## **3) Promotion of clean and attractive "Japanese IR" (Integrated Resort) development**

By promoting integrated resort which contains family entertainment facilities, international conference halls, exhibition centers and so on, and by utilizing Japanese traditions, culture and art, we will create internationally competitive tourism for vacation. We expect significant economic impact through large-scale investments. We also expect nation-wide economic benefits by encouraging IR visitors to extend their travel outside the IR. We will ensure that the profit from casino is utilized for a wide range of public purposes. We will introduce the world highest regulations over casino, ensure adequate administrative capacity and competency necessary for strict implementation of those regulations, and take thorough and sufficient measures to address various concerns including addiction.

## **(6) Strengthening of partnerships with overseas growth markets**

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<sup>29</sup> In 2018, which is the 160th anniversary of the establishment of friendly relations between Japan and France, a large-scale event to promote Japanese culture will be jointly held by the public and private sectors, centered on Paris. It will include everything from traditional cultural forms such as kabuki, Noh, kyogen, and gagaku court music to contemporary theater and art, a manga and anime exhibition, and screenings of Japanese movies.

<sup>30</sup> 2018 is the 150th year since the start of the Meiji Period in 1868, and a variety of measures are being promoted to pass on the history of what has taken place in the subsequent period to the next generation.

## **1) Establishment of global value chains**

As a standard-bearer of free trade, Japan will establish a twenty-first century economic system based on fair rules. The rules agreed on the Trans-Pacific Partnership (TPP) through several years of negotiations will become the foundation of future economic partnership as the standard of the economic system, and the government closely collaborate with other participants to maintain the unity of 11 countries and lead discussions on how to bring about the early realization of the Agreement. Advance the Japan-US Economic Dialogue as agreed between the leaders of Japan and the US, as a way to deepen the economic ties between the two countries, along three pillars; Common Strategy on Trade and Investment Rules and Issues, Cooperation in Economic and Structural Policies, and Sectoral Cooperation. Moreover, Japan will seek to reach an agreement in principle on the Japan EU Economic Partnership Agreement (EPA) as early as possible, while playing the leading role in negotiations to make Regional Comprehensive Economic Partnership (RCEP) and other frameworks into high-quality agreements, and materializing cooperation with ASEAN. Furthermore, the government will conclude investment-related agreements strategically and speedily from the standpoint of promoting overseas business expansion. Japan will aim to play a core role in building a new regional economic order, leading the development of comprehensive, well-balanced, high-level global rules.

In order for businesses to enjoy the results of the enlargement of free, fair economic zones, the government will provide integrated support for the overseas expansion of small and medium enterprises, support the development of manufacturing personnel in the overseas locations of business operations, support the establishment of legal systems and business environments, provide support for companies in the legal area through the overseas deployment of legal and other experts, and intensify responses to and the prevention of international conflicts.

## **2) Encouragement of strategic exports and tourism**

At the same time as the creation of a "Japanese brand" out of values associated with Japan, such as "safe," "secure," and "high-quality," domestic and overseas hubs will be utilized to push ahead with the Cool Japan strategy of the creation, dissemination, and development of Japan's unique appeal in areas such as food, movies, contents, and culture, and to encourage exports and tourism.

An "Infrastructure Systems Export Strategy"<sup>31</sup> will be pursued for the developing economies of emerging countries, aiming to put in place infrastructure for growth in the Asian region and around the world. This strategy will include the promotion of the "High-quality Infrastructure Export Expansion Initiative"<sup>32</sup>; the drawing up of overseas deployment strategies in key industries and fields such as electric power, railroads, and telecommunications systems; the promotion of participation in infrastructure provision from upstream and of overall development; and the consideration of systemic measures which public institutions and companies can institute in earnest, from the formulation of plans to post-completion operation and maintenance.

In order to strengthen export capacity in agriculture, forestry, and fisheries, at the same time as carrying out strategic promotion and other measures based on a detailed grasp of demand, with JFOODO<sup>33</sup> at the core, regional trading company initiatives and the establishment of logistics and export environments will be encouraged.<sup>34</sup> Moreover, in addition to the strategic promotion of the utilization of standards and certifications and of international standardization such as JAS<sup>35</sup>, both hard and soft aspects of effective and efficient export hubs will be put in place.<sup>36</sup>

In order to grow tourism into one of the nation's key industries, the opening up of new tourism resources will be promoted through the development of contents aimed at international visitors in night entertainment, the traditional arts, etc. and the preparation of systems to receive visitors; the enhancement of promotion on visit to Japan based on strategies unique to each target country; the promotion of MICE,<sup>37</sup> such as important international academic conferences; and the strategic relaxation of visa requirements and establishment of screening systems. Furthermore, plans will be made for the enhancement of the functions of Haneda Airport through the reconsideration of flight paths and concessions; the formation of international cruise hubs through public-private partnerships; the installation of the planned physical and human facilities improvement of CIQ<sup>38</sup> such as adoption of innovative immigration inspection processes; the

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<sup>31</sup> "Infrastructure Systems Export Strategy" (revised on May 29, 2017)

<sup>32</sup> "High-quality Infrastructure Export Expansion Initiative" (announced by the Prime Minister on May 23, 2016)

<sup>33</sup> The Japan Food Product Overseas Promotion Center

<sup>34</sup> Based on the "Strategy to Strengthen Exports of the Agriculture, Forestry and Fishery industry" (adopted by Headquarters on Creating Dynamism through Agriculture, Forestry and Fishery Industries and Local Communities, May 19, 2016)

<sup>35</sup> Japanese Agricultural Standard

<sup>36</sup> Based on the "Development Program on Export Infrastructure for Products of Agriculture, Forestry, and Fishery" (adopted by Headquarters on Creating Dynamism through Agriculture, Forestry and Fishery Industries and Local Communities, November 29, 2016)

<sup>37</sup> The abbreviation for Meetings, Incentives, Conventions, and Exhibitions/Events

<sup>38</sup> Abbreviation comprising Customs, Immigration, and Quarantine

encouragement of the expansion of high-quality accommodation facilities; and the healthy diffusion of diverse services providing accommodation in private residences. Also to be promoted are the provision of more, higher-quality foreign-language guides; the introduction of a system of registration for the land operators who plan and arrange tour products; the preparation of systems to accept and treat international patients and of cashless environments; and the enrichment of public transport services and multilingual support in the areas around tourist spots.

With the aim of strengthening links with the countries of Asia and elsewhere which send human resources overseas, and encouraging the reverse flow of high-level nursing care personnel, which will contribute to the Asia Human Well-Being Initiative, international expansion in the health and medical care fields will be promoted, based on the "Health and Medical Care Strategy."<sup>39</sup>

### **3. Revitalization of consumption**

In order to reinvigorate consumption, disposable income will be increased through the continued raising of wages and the establishment of an environment favorable to wage increases. By uncovering latent demand, taking into account changes in lifestyle and consumption structure as the birthrate falls and the population ages, new goods and services will be created to fulfil the wishes of the nation's citizens. In addition, the government will strive to secure safety and security for consumers.

#### **(1) Increasing disposable income**

We are now getting out of deflation by implementing the policies of the three arrows of Abenomics. Record-high levels of corporate earnings will continue to be definitively linked to wage increases, and efforts will be made to expand consumption by engendering a shared perception that wages will continue to rise. Moreover, improvements in labor conditions are needed, using the reduction in overtime pay accompanying the rectification of long working hours as a source of funding. Through such initiatives, we will increase the total income of employees by improving the labor share which has been recently declining and ensuring a virtuous cycle of economy furthermore.

We will raise the minimum wage at an annual rate of approximately 3%, considering the growth rate of nominal GDP. Through this increase in the minimum wage, we will aim for the national weighted average to reach 1,000 yen. In order to do this, a support framework of individual consultations about raising the minimum wage will be put in place, expanding

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<sup>39</sup> "Health and Medical Care Strategy" (Cabinet Decision, July 22, 2014, partially revised on February 17, 2017)

this raise outwards from the environmental health industry to other industries, and creating an environment which facilitates wage increases by small and medium enterprises and small-scale operators.

Through steady promotion of the social security-related items for reform which are listed in the reform roadmap based on the "Plan to Advance Economic and Fiscal Revitalization,"<sup>40</sup> at the same time as curbing the rise in social insurance premiums by increasing the efficiency of social security, anxiety about the future sustainability of the system will be dispelled.

## **(2) Boosting new demand**

### **1) Boosting demand in the health and prevention fields**

Aiming to raise the quality of life (QOL) of each one of the nation's citizens and to extend healthy life expectancy in order to realize a society whose citizens play active roles throughout their lives, the demand for health and prevention services which utilize ICT and data will be expanded even further.

In order to raise awareness of health and prevention among all citizens, data health<sup>41</sup> will be exploited to encourage high-quality health management by companies. In addition, cutting-edge initiatives by local governments, businesses, and insurers to prevent aggravation of disease<sup>42</sup> will be rolled out nationwide. Furthermore, aiming to strengthen collaboration between the Compact Plus Network and the Community-based Integrated Care, community-building efforts will pay attention to health and prevention. Moreover, in order to respond to the need for high-quality healthcare, medical care, and long-term nursing care services, the development of innovative pharmaceuticals, treatment methods, diagnostic technology, and nursing care robots through the application of AI and genome data will be encouraged.

## **2) Revitalization of tourism and travel consumption**

Through the achievement of goals<sup>43</sup> to bring the number of international visitors to Japan

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<sup>40</sup> Chapter 3 of the "Basic Policy on Economic and Fiscal Management and Reform 2015" (Cabinet Decision, June 30, 2015)

<sup>41</sup> A project in which the medical insurer makes use of data from receipts and specific health checkups in order to maintain and improve the health of the insured in an effective and efficient way, in line with the PDCA cycle

<sup>42</sup> One example of a cutting-edge initiative to prevent aggravation of disease can be found in Kure City, Hiroshima Prefecture. In collaboration with the primary care physician, data from health checkup results and receipts is exploited; data on those at high risk of diabetic nephropathy, the serious illness underlying most cases of dialysis, is extracted; and initiatives to recommend examinations at medical facilities and give health guidance are promoted.

<sup>43</sup> From the "Tourism Nation Promotion Basic Plan" (Cabinet Decision, March 28, 2017) and the "Tourism Vision to Support the Future of Japan" (Decision of Meeting of the Council for the Development of a Tourism Vision to Support the Future of Japan, March 30, 2016)

to 40 million, the amount spent by them to 8 trillion yen, and the amount spent by Japanese domestic travelers to 21 trillion yen by 2020, Japan will become an advanced tourism nation. The entire government and private sector will work together to strengthen the promotional structure and make this vision a reality as rapidly as possible.<sup>44</sup>

In order to do so, at the same time as making public facilities more attractive and increasingly open to visitors, community-building activities utilizing Japanese traditional houses, etc. will be undertaken. Moreover, tourism resources with beautiful landscapes, such as national parks, Japan Heritage and other cultural properties, will be conserved and utilized. This will ultimately attract visitors to the regions through encouragement of the creation of community-based tourism products and of wide-area tour routes; encouragement of flights to regional airports by LCC<sup>45</sup> and others; the completion of "regional revitalization corridors" through the use of high-speed transportation networks; and the creation of cycle-friendly environments. Furthermore, the tourism industry will be made more innovative through the formation of corporations responsible for taking the leading role in regional development of tourism (DMOs<sup>46</sup>); the regeneration and reinvigoration of tourist destinations using public-private funds; raising the productivity of the accommodation industry; and the development of tourism management personnel.

The government and the private sectors will work together to launch "Kids Week" in local regions from FY 2018 for children and their parents to spend more holidays together after examining necessary measures to prevent local teachers from getting any problem. As a part of implementing the kids week, some long school holidays will be divided, the actual use of annual paid holidays will be encouraged and circumstances for enjoying a variety of holiday activities will be ensured.

### **3) Initiatives in preparation for hosting the 2020 Tokyo Olympic and Paralympic Games, etc.**

The 2020 Tokyo Olympic and Paralympic Games and the Rugby World Cup 2019 are celebrations for the whole of Japan. They are excellent opportunities to revive Japan, create a legacy, and show Japan's strength to the world. In readiness for holding these events, safety and security will be ensured by methods such as strengthening data collection and analysis using cutting-edge technology, and preparations will be made for the smooth functioning of the events, including transportation, temperature control and environmental considerations.<sup>47</sup> Moreover, at the same time as the realization of "revival

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<sup>44</sup> Based on the "2017 Action Program for the Achievement of the Tourism Vision"(Decision of the Ministerial Meeting on National Tourism Promotion, May 30, 2017)

<sup>45</sup> Low Cost Carriers: airline companies offering low airfares through the operation of low cost, frequent flights

<sup>46</sup> The abbreviation for Destination Management/Marketing Organization

<sup>47</sup> Based on the "Basic Policy for Promoting Measures Related to Preparations for and Management of the Olympic and

Olympics" and the promotion of regional regeneration and international exchange through acting as host towns, the entire government will work as one, in partnership with local governments and private companies, on initiatives for the creation of a new Japan through the Games. These will include the development and diffusion of volunteer human resources; the dissemination of the attractions of Japan's culture through the beyond2020 program, etc.<sup>48</sup>; the development and popularization of automatic translation systems through deep learning<sup>49</sup>; and the realization of an inclusive society.<sup>50</sup> The need for and methods of preparing the relevant facilities will be scrutinized, and a planned response will be taken forward.

In order to contribute to international goodwill, while encouraging the revival of Ainu culture, preparations for the establishment and opening of spaces symbolizing ethnic coexistence which aim to attract 1 million visitors, such as a national Ainu museum, national ethnic coexistence park, and memorial sites, by April 2020 will move ahead.

Moreover, proactive efforts will be undertaken to attract the 2025 International Expo to Osaka.<sup>51</sup>

#### **4) Encouragement of the use of Premium Friday**

"Premium Friday"<sup>52</sup>, on which attractive products and services are provided and people enjoy them and experience richness and happiness, is a public-private initiative leading to the activation of consumption and to work style and lifestyle reform. The government will help it take root and expand so that it also penetrates the regions.

#### **5) Effective utilization of stock**

While promoting for the circulation and utilization of vacant houses, the market for the circulation and renovation of existing houses will be revitalized through the upgrading of and installation of energy-saving measures in residential stock, the appropriate valuation of existing housing, and the establishment of an environment in which reliable and secured transactions can be carried out. Moreover, in order to secure the smooth entry of young

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Paralympics Games in Tokyo in 2020" (Cabinet Decision, November 27, 2015), etc.

<sup>48</sup> Decision issued by the "Liaison and Coordination Committee of Ministries Concerned with Measures using Culture to Build Momentum for the 2020 Tokyo Olympics and Paralympics" (March 2, 2016), which is also responsible for its implementation. Looking beyond 2020, activities carried out by diverse bodies to create a legacy leading to an inclusive society and to internationalization will be accredited, and broad support will be given for these initiatives.

<sup>49</sup> Learning by computers, using multi-layered artificial neural networks

<sup>50</sup> Based on the "Universal Design 2020 Action Plan" (issued by the Ministerial Council on Universal Design 2020 on February 20, 2017), etc.

<sup>51</sup> "Osaka Prefecture's Candidacy for and Application to Host the 2025 International Expo" (Cabinet approval given on April 11, 2017)

<sup>52</sup> Implemented from February 2017, based on the concept of "spending a little richer time than usual on the final Friday of each month"

people and those raising children into accommodation, initiatives utilizing vacant houses, private rental housing, and UR public rental housing will be supported.

In order to build up assets in long-term, efficient way, the use of the NISA (including installment investing NISA<sup>53</sup>) and iDeCo (individual-type Defined Contribution pension plan) will be encouraged.

#### **4. Regional reinvigoration, support for small and medium enterprises and small-scale entrepreneurs**

##### **(1) Regional reinvigoration**

Develop various new measures for regional reinvigoration, based on "Overall Strategy on Vitalizing Local Economies (revised in 2016)"<sup>54</sup> and "Basic Policy for Overcoming Population Decline and Vitalizing Local Economies 2017."<sup>55</sup>

In order to improve local productivity and mitigate overconcentration in Tokyo through investments in local human resources, initiatives for the development of core regional manufacturing and the development of specialist human resources will be supported through the promotion of unique initiatives at regional universities, led by industry-government-academia partnerships and aiming at the reinvigoration of these universities. At the same time, in Tokyo's 23 wards, where there is an increasing concentration of university students, increases in student capacity will not, in principle, be allowed. Concrete rules for this will be considered and a definite plan will be concluded within the year. Furthermore, measures which take this intention into account will be carried out immediately, from this fiscal year. In addition, in order to create employment for young people in the regions, besides the promotion of regional reinvigoration internships and the nationwide roll-out of a system of support in paying back student loans, measures to strengthen the functions of local offices from private companies will be accelerated, and satellite offices of central government ministries and agencies will be verified and implemented on a trial basis.

At the same time as the creation of jobs utilizing regional resources and characteristics and support for businesses that will become leaders of the regional economy as a whole, professionals will be utilized. Moreover, the region's idle assets are to be put to use effectively: for vacant stores, the use of priority support measures provided by the relevant

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<sup>53</sup> A system of tax exemption for dividends and capital gains arising within the account, in order to support stable household asset formation through installment savings of even small amounts and diversified investment. Regular, continued investments in certain mutual funds are to be covered by the system, which will be introduced from January 1, 2018.

<sup>54</sup> "Overall Strategy on Vitalizing Local Economies (revised in 2016)" (Cabinet Decision, December 22, 2016)

<sup>55</sup> "Basic Policy for Overcoming Population Decline and Vitalizing Local Economies 2017" (Cabinet Decision, June 9, 2017)

Ministries and Agencies, including Subsidies for Regional Reinvigoration, and initiatives on measures to cancel special exemptions of residential land from property taxes will be considered, and a conclusion will be reached within the year. The development and effective utilization of social ventures in the regions will be encouraged. As for community development, forming regional collaboration among cities and suburban areas will move ahead, and measures to promote area management, including Japanese-style BID,<sup>56</sup> will be investigated.

Motivated and passionate local public bodies will be given support in the fields of information, human resources and finance. Information support will consist, for example, of encouragement to make use of the Regional Economic and Society Analyzing System; human resources support will include the enrichment of the Regional Reinvigoration College Project; and financial support will encompass Subsidies for Regional Reinvigoration and tax credit for contributions of corporations to municipal projects supporting regional reinvigoration.

## **(2) Aggressive development of agriculture, forestry, and fisheries**

The government will promote aggressive development of agriculture, forestry, and fishery industries into growth industries. The government will also take measures to pass down, beautiful and historic farming, foresting, and fishing communities to the next generations. To increase farmers' income, it is necessary to develop an environment which allows farmers to take free business actions, and, at the same time, to solve the structural problems, which farmers cannot solve by their own efforts.<sup>57</sup>

The enhancement of competitiveness will be accelerated even further through : the reduction of costs for farming inputs; structural reform of distribution and processing; the reform of raw milk distribution system; the establishment of revenue insurance system; the strategic promotion of GAP<sup>58</sup>/HACCP<sup>59</sup> and the assurance of food safety; the promotion of a shift to "sixth industrialization" (a combination of primary, secondary, and tertiary industries); the implementation of reform for agricultural cooperatives and agricultural

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<sup>56</sup> The abbreviation for Business Improvement District. A mechanism used in the US, UK, etc., mainly in commercial areas, in which the owners of assets and businesses within the area decide on the organization and fundraising and carry out the projects needed for development of the area.

<sup>57</sup> Based on the "Plan for Create Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities" (Revision by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities, November 29, 2016), the "Basic Plan for Food, Agriculture, and Rural Areas" (Cabinet Decision, March 31, 2015), and the "Agricultural Competitiveness Strengthening Program" (adopted by the Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities, November 29, 2016)

<sup>58</sup> Good Agricultural Practice

<sup>59</sup> Hazard Analysis and Critical Control Point

committees; the development and retaining of diverse farmers<sup>60</sup>; and the enhancement of profit-making abilities in production areas, including hilly and mountainous areas. The development, accumulation and consolidation of farmland will be encouraged by following up on the performance of the Farmland Bank, as well as the smoother coordination realized between farm-field development business and the Farmland Bank. At the same time, as for projects to improve soil quality, further steps will be taken to promote turning farmlands into large compartments fit for general use or into dry fields, as well as improvement in the maintenance and conservation of farmland. With a view to promoting urban agriculture, the government will establish a system concerning promotion of borrowing and lending of urban farmland, and consider the application of the system granting moratorium on the payment of inheritance tax.<sup>61</sup> Moreover, through the steady advancement of reforms in rice-farming and other farming policies, the government will create an environment in which farming entities can choose the crops they wish to grow based on their own judgment. Aiming to reduce leftover food, a nationwide movement will be taken forward and partnerships with other industries such as the Internet of Things and weather-related industries will be set up.

The government will consider a new scheme that the management of forests can be consolidated by highly-motivated forestry practitioners who manage forests sustainably, and the management of forests where the above approach is not possible can be delegated to municipalities. The government will finalize consideration of the new scheme by the end of the year. The consideration of new scheme will take place along with the consideration on "Forest Environment Tax (tentative name)," which was listed in the Outline of Amendment to the Tax System FY 2017 prepared by the ruling party as the financial resources for the maintenance of forest led by municipalities. The government will promote implement measures to create new demand for timber, such as CLT,<sup>62</sup> to establish a supply structure that ensures the stable and efficient supply of domestic timber, and to securing of human resources.

In order to enhance management of fishery resources by the methods such as quantity control and turn fishery into growing industry, the government will review the measures required to strongly promote these, including the consideration on related laws and regulations.

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<sup>60</sup> Leading farmers will be developed and retained based on "Green Employment" and other programs, including practical education in agricultural, forestry and fisheries high schools.

<sup>61</sup> Based on the "Urban Agriculture Promotion Master Plan" (Cabinet Decision, May 13, 2016)

<sup>62</sup> Cross Laminated Timber

### **(3) Support for SMEs and microenterprises**

The government will take a wide variety of measures for SMEs and microenterprises, who play major roles in regional economies, to strengthen their businesses and continue to lead regional economies.

In order to boost productivity drastically, the government will provide support for introducing IT and robots, promoting the development of technology and developing sales channels in and outside Japan, and also make intensive effort to encourage regional core companies to lead regional reinvigoration. The government will strengthen management support through appropriate financial risk sharing between financial institutions and credit guarantee corporations based on the reviewed credit guarantee system, and strengthening of the management consulting and support systems such as “Yorozu support centers”.

Furthermore, the government will provide support for addressing labor shortage through utilizing diverse human resources and practicing work style reforms. The government will promote measures for the succession of businesses within the intensive implementation period, examine frameworks for mergers and restructuring and provide support for starting up new ventures including promotion of side jobs and second businesses.

In addition, the government will encourage major industries to practice steadily the action plans drawn by themselves to improve transaction terms for subcontractors and small companies.

### **(4) Regional revitalization**

#### **1) Initiatives for regional revitalization**

Aiming at transforming regional economies to become resilient to changes in the economic environment and generating local employment, the government will work on projects to generate a flow of people and information to the regions, and to create regional economic cycles through the establishment of community-based businesses by partnerships of industry, academia, finance, and government, as well as through local production and consumption of energy. Moreover, it will encourage the introduction of the points for the local economy support by using the My Number Card, aiming to revitalize the region and increase consumption.

In depopulated areas and other geographically disadvantaged areas, including peninsulas such as remote Islands and Amami Islands, the government will, taking into account

promoting exchange/collaboration and harmonious growth with neighboring areas,<sup>63</sup> promote the establishment of small hubs which ensure the functions of daily life and regional management organizations, and develop the environments that encourage settlement formation, including maintaining transportation systems. Moreover, the government plans will make towards the preservation/reinvigoration of villages by utilizing local resources, creativity and ingenuity.

In addition to the expansion of the "Community Revitalization Support Team" program, a variety of opportunities for migration and exchange suited to each life stage, such as further study or employment, will be put in place.

The government will increase the flows of people and goods in and out of rural areas through early development and utilization of broad-area express transportation networks.<sup>64</sup>

Wide-area alliance projects will be implemented to realize well-balanced regional development for the future, based on a "National Spatial Strategy,"<sup>65</sup> and other plans to promote, national land development led by active interactions. The "Hokkaido Comprehensive Development Plan,"<sup>66</sup> which aims to foster food and tourism-related industries, will be taken forward.

As well as the promotion of agri-tourism, the catching of harmful birds and animals will be intensified and ways to utilize gibier, including the establishment of a system for the safe and secure supply of gibier, will be planned.

Regional economies will be boosted by the reinvigoration of maritime clusters,<sup>67</sup> the strengthening of harbors which underpin industry, the formation of LNG bunkering<sup>68</sup> hubs.

## 2) Developing Okinawa

The government will continue its national strategy to proactively implement a

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<sup>63</sup> Including collaboration on World Heritage listing

<sup>64</sup> Such transportation networks include arterial high-standard highways, new Shinkansen bullet train lines, and linear Chuo Shinkansen lines. The opening of the entirety of the linear Chuo Shinkansen line is now planned to take place up to 8 years ahead of schedule due to the utilization of Fiscal Investment and Loan Program, and necessary collaboration and cooperation will be given to those in charge of construction so that they can move ahead with preparations for announcing the entire route and all the stations to the public.

<sup>65</sup> "National Spatial Strategy" (Cabinet Decision, August 14, 2015)

<sup>66</sup> "Hokkaido Comprehensive Development Plan" (Cabinet Decision, March 29, 2016)

<sup>67</sup> Geographical accumulations of maritime industries centered on the shipping and shipbuilding industries, including crew, ship engineering, the leasing of ships, and harbor-related industries, as well as of industries and facilities related to the maritime industries, such as finance and insurance, educational and research institutions

<sup>68</sup> The supply of LNG (liquefied natural gas) fuel to ships

comprehensive package of measures to promote the development of Okinawa as a driving force in stimulating the Japanese economy. In the process, the advantages and potential of Okinawa as a gateway to a growing Asia will be exploited.

The government will promote tourism in Okinawa and work to develop the region into an international logistics hub, by taking advantage of the designation of Okinawa as a National Strategic Special Zone and through the addition of runways at Naha Airport and the renovation of ports to accept cruise ships. The government will consider expanding the Okinawa Institute of Science and Technology Graduate University (OIST), support the formation of an intellectual and industrial cluster, promote measures to support children in poverty and develop human resources.

The government will promote effective use of returned US military installations. Regarding the former housing block for the U.S. military in West Futenma, in coordination with relevant government ministries and agencies, the relocation of the University of the Ryukyus Faculty of Medicine and its attached hospital will be implemented, and the formation of Okinawa Health Medical Center which will introduce advanced medical and healthcare study and other advanced medical functions, based on internationality and characteristics of isolated islands in the area, will be moved forward. Furthermore, plans will be made to utilize Futenma Senior High School as a human resources development facility.

The relocation of the US military's Naha Port facilities to Urasoe Pier will also be taken forward steadily, bearing in mind the opinions of the local communities such as the destination area, Urasoe City.

### **3) Decentralization reform, etc.**

In inviting proposals for 2017, the government will steadily implement decentralization reform, adhering to the basic policy of deciding how proposals from local governments should be materialized. It will also strengthen the dissemination of excellent practices and the publication of information on the results of the reform to the public. The government will conduct necessary deliberations on the regional government system in light of the progress of basic bills.

### **4) Improvement of urban vitality**

In order to increase urban vitality and generate lively activity, the formation of Compact Plus Network and the effective utilization of unused assets will be taken forward.

In large cities such as Tokyo and Osaka, flexibly developing and using existing urban infrastructure, private urban development projects will be promoted to develop an environment suitable for international business and living, and to improve disaster resilience. Through the "visualization" of urban renewal etc., new mechanisms to attract wider private investment will be constructed.

The maintenance and management of parks etc. by private entities, a move towards a higher standard of universal design, the promotion of the mental barrier-free concept,<sup>69</sup> and drastic improvement of the communications environment will be undertaken, aiming at regional reinvigoration.

## **(5) National resilience, disaster control, and public investments prioritized to enhance growth potential**

### **1) National resilience**

The government will steadily advance national resilience efforts based on the "Fundamental Plan for National Resilience"<sup>70</sup> and the "Action Plan for National Resilience 2017"<sup>71</sup>. Also moves to review the Fundamental Plan will begin in earnest.

The government will provide full support for establishment and implementation of regional plans. Also, the government will encourage initiatives by local governments and the private sector, including promoting expansion of private investment which contributes to national resilience through dissemination of an accreditation scheme for corporations working on business continuity. In addition, verifications which contribute to national resilience, including the consideration of the medical care modules<sup>72</sup> needed in disaster areas in the course of medical activity drills, will be promoted.

### **2) Disaster prevention and reduction**

The government will implement measures, such as constructing dike and dam regeneration, including the utilization of ICT, research activities and the development of human resources to prevent and mitigate the effects of various large scale disasters including a massive earthquake in the Nankai Trough, an earthquake under Tokyo, tsunamis, floods, landslides, and volcanic activity. At the same time, the government will develop back-up plans to ensure a functional capital, and secure redundant and alternative

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<sup>69</sup> Respect for one another's personalities and individuality and mutual support, irrespective of the presence or absence of disability

<sup>70</sup> "Fundamental Plan for National Resilience" (Cabinet Decision, June 3, 2014)

<sup>71</sup> "Action Plan for National Resilience 2017" (Issued by the National Resilience Promotion Headquarters on June 6, 2017)

<sup>72</sup> An item which makes medical care portable by the stowing of medical equipment in a container, etc.

transport networks in preparation for large-scale disasters. Moreover, the government will promote anti-seismic retrofitting of public facilities that will serve as disaster control centers or evacuation shelters in the event of disaster. For those facilities, it will facilitate ameliorating toilet environments, installing electrical generators, and ensuring the continuity of functions.

Initiatives to create safe communities will be taken forward. These include anti-seismic retrofitting or rebuilding of houses and buildings, and strengthening ground; decreasing the congestion of wooden houses in narrow spaces and strengthening firefighting systems through fire prevention and regional collaboration; and removing utility poles.

The government will promote improvement of municipalities' disaster response abilities such as the spreading support systems for disaster-stricken people, development of members of local voluntary disaster prevention organizations, implementation of education and training of those members in partnership with fire brigades, and amplification and strengthening of local disaster prevention abilities with fire brigades at their core. The government will also provide wide-area support programs. Moreover, through "World Tsunami Day," the government will communicate and disseminate the importance of implementing anti tsunami measures domestically and abroad.

In the area of measures against nuclear disasters, evacuation plans will be created, and human resources development programs for training and education will be created. Road projects to secure evacuation routes and construction of radiation-proof protection facilities will be enhanced and strengthened.

### **3) Public investments prioritized to enhance growth potential**

In accordance with the "Priority Plan for Social Infrastructure Development,"<sup>73</sup> the government will fully utilize existing facilities and implement strategic measures stably and continuously to maximize the stock effects of the social infrastructure development. It will focus on expanding the nation's growth potential in the areas of improvement such as international competitiveness, rebuilding national resilience, reinforcement of disaster prevention and mitigation, the Compact Plus Networks, and management and renewal of deteriorating facilities.

To achieve sustainable growth through productivity improvement despite a decreasing population, development projects will be implemented for metropolitan beltways, strategic

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<sup>73</sup> "Priority Plan for Social Infrastructure Development" (Cabinet Decision, September 18, 2015)

international ports and international airports, and strategic development of infrastructure contributing to the improvement of social productivity will be implemented, including efficient measures to eliminate traffic congestion and streamlining physical distribution by introducing AI or ICT.

## **5. Securing the foundations of a safe and secure life and economic society**

### **(1) Diplomacy and security**

#### **1) Diplomacy**

Japan should take initiative to promote international peace and prosperity by collaborating with countries that share universal values, including freedom, democracy, fundamental human rights, and the rule of law. At the same time, amid growing protectionism and inward-looking sentiment worldwide, Japan, whose political base is stable, should take a leading role in disseminating such universal values to the world, along with open, fair, and high-level trade and investment rules. The government will dynamically advance strategic diplomacy, utilizing soft power as well from a global perspective based on the three pillars of strengthening its alliance with the United States, strengthening relationships with nearby countries, and strengthening economic diplomacy. In particular, Japan will actively strive to realize the "Free and Open Indo-Pacific Strategy,"<sup>74</sup> reinforce safety measures for Japanese citizens and diplomatic missions and other facilities overseas and improve information collection and analysis functions related to national security and terrorism. It will also strategically communicate accurate information about Japan, particularly strengthen its alliance with the United States from the grassroots level under the new US administration; develop pro-Japanese people; provide support for overseas development by Japanese companies; and strengthen relationships with Japanese immigrants in Latin America and other regions. The government will promote measures for solving global issues such as comprehensive measures, including domestic measures and international cooperation based on the "Sustainable Development Goals (SDGs) Implementation Guiding Principles,"<sup>75</sup> support for the agricultural and health sectors in African countries based on the sixth Tokyo International Conference on African Development, and contribution to the global environment. In addition, taking into account measures of other countries and the fact that the target amount of development aid funds set by the UN is not achieved, the government will increase its total diplomatic power by improving the foreign policy implementation structures, including the personnel structure and diplomatic

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<sup>74</sup> As a new diplomatic strategy to improve connectivity through a free and open Indo-Pacific to promote stability and prosperity of the region as a whole; Prime Minister Abe announced this on August 27, 2016.

<sup>75</sup> Sustainable Development Goals (SDGs) Implementation Guiding Principles (determined by SDGs Promotion Headquarters on December 22, 2016)

missions overseas, and by promoting appropriate, efficient, and strategic utilization of international organizations and ODA, and strengthening development cooperation through ODA.

## **2) Security**

As the security environment around Japan has become increasingly severe, given that North Korea's nuclear and missile development has become a new level of threat, the government will strengthen the command tower function of the National Security Council (NSC); significantly increase the country's diplomatic power and defense capabilities, including information functions and crisis management functions;<sup>76</sup> and promote more strategic and systematic national security measures. Based on the "National Security Strategy,"<sup>77</sup> the government will expand and deepen cooperative relationships with other countries, with the Japan-U.S. alliance as the centerpiece from the standpoint of proactive contribution to peace on the basis of internationalism, and will efficiently develop highly effective overall agile defense capabilities based on the "National Defense Program Guidelines for FY 2014 and Beyond"<sup>78</sup> and the "Medium Term Defense Program."<sup>79</sup> In doing so, the government will enhance defense capability against ballistic missiles, steadily advance reforms of the personnel system, strengthen strategic R&D and defense production and technological bases, promote the sharing of equipment and technology with other countries, and promote the realignment of U.S. forces in Japan as well as compensation for communities near the U.S. bases. The government will also promote measures, including the enhancement of the "rule of law" on ocean, aerospace, and cyberspace, establish a system to effectively monitor maritime events, strengthen territorial sea guard, marine watch functions, and marine research,<sup>80</sup> and maintain the security and local communities of islands near the border.

### **(2) Public order and consumer affairs**

#### **1) Public order, administration of justice, crisis management, etc.**

To secure public safety, the government will enhance measures to combat cybercrime and cyber-attacks, counter terrorism including border control, measures to combat organized crime and counter-intelligence functions; measures to prevent smuggling; as well as implement measures to combat illicit drugs including the development of a probation system; measures to combat sexual offenses, stalking, domestic violence, sexual violence

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<sup>76</sup> This includes National Instant Warning System (J-ALERT))

<sup>77</sup> National Security Strategy (Cabinet Decision, December 17, 2013)

<sup>78</sup> National Defense Program Guidelines for FY 2014 and Beyond (Cabinet Decision, December 17, 2013)

<sup>79</sup> Medium Term Defense Program (FY 2014–2018) (Cabinet Decision, December 17, 2013)

<sup>80</sup> Policy on Strengthening of the Maritime Security System (Ministerial Council Decision on the Strengthening of the Maritime Security System, December 21, 2016)

against youth, measures to combat so-called special fraud; and measures to combat illegal residency and related issues. <sup>81</sup>To prevent criminal recidivism, based on the Promotion Plan for Crime Recidivism Prevention<sup>82</sup> which is scheduled to be established by the end of this year, the government will promote support for smooth re-entry into society by persons who have been suspended for prosecution; the enhancement of education and vocational training for incarcerated inmates; support for the employment of discharged inmates; the improvement of correctional institutions; support for the activities of volunteer probation officers, cooperative employers, offender rehabilitation facilities, including the expansion of support center for rehabilitation and protection; and cooperation with local governments. In addition, the government will strengthen human and material bases as well as international networks in public security, coast guard, and the judicial field.

Taking advantage of the Japanese judicial system as an important soft power, looking to the hosting of Congress 2020,<sup>83</sup> the government will comprehensively and strategically implement measures in the judicial field at home and abroad.

In addition, the government will promote the development of total legal support and reliable judicial systems; develop a foundation to activate international arbitration, including sports events; promote the reform of law schools, promote legal education; enhance preventive judicial functions on a nationwide basis; promote measures to eliminate hate speech and human rights violations on the Internet; strengthen the system to investigate cause of death; enhance measures to support crime victims; and promote road safety measures, including measures for elderly drivers. To combat infectious diseases, the government will work on the development and storage of medicines, strengthen the international framework and research and development, and address measures to combat antimicrobial resistance from the "One-Health"<sup>84</sup> perspective.

## **2) Consumer affairs**

To protect consumer safety and security, the government will strive to improve the collection and analysis of information regarding consumer accidents and prevent the occurrence and propagation of such accidents; implement measures for surely recovering damages caused by malicious practices; encourage consumer education and consumer-oriented business management; and build networks that protect the elderly and other

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<sup>81</sup> Strategy to Make Japan the Safest Country in the World (Cabinet Decision, December 10, 2013)

<sup>82</sup> Promotion Plan for Crime Recidivism Prevention based on Act on Promotion of Recidivism Prevention (Act No. 104 2016)

<sup>83</sup> The UN Congress on Crime Prevention and Criminal Justice to be held in Japan in 2020

<sup>84</sup> To implement countermeasures to combat infectious diseases generated by complex interaction of humans with animals and environments, people in the hygiene and sanitary sectors work together in an integral manner.

vulnerable consumers.<sup>85</sup>

### **(3) Initiatives for the creation of a society based on mutual assistance and peaceful coexistence**

The government will call for human resources and investment in the private-sector to solve social issues by promoting the evaluation of social performance (impact) to stimulate implementation of results-driven business projects and utilizing financial resources from the private sector. The government will make efforts to create a vigorous mutual-assistance society through NPO's activities and promoting measures to foster a donation culture. The government will formulate a basic policy to utilize funds related to dormant deposits around next spring.

The government will promote correct understanding of sexual orientation and gender identity and create environments where the entire society accepts diversity in order to realize regional cohesive society where all people get together to create and enhance community, livelihood, and meaningful lives. The government will also promote the improvement of comprehensive support system for residents of municipalities through cooperation between residents and local governments; promote coexistence services newly established in both the long-term care insurance system and the welfare system for people with disabilities; and promote suicide prevention measures based on Comprehensive Measures to Prevent Suicide scheduled to be revised.

### **(4) Resources and energy**

To overcome the constraints on energy and environment and keep the balance between economic growth and CO<sub>2</sub> emission control, the government will promote thorough energy-saving efforts in all fields with both regulations and support. When it comes to renewable energy, the government will keep the balance between the maximum utilization of renewable energy reflecting characteristics of each power source and the reduction of the national burden. The government will also strive to establish a new energy system, including promotion of competition in the electricity and gas markets and response to issues of public interest under deregulation, realization of a hydrogen energy based society, and promotion of local production and local consumption of energies.<sup>86</sup>

To secure natural resources, while promoting the acquisition of interests with the supply of risk money by the Japan Oil, Gas and Metals National Corporation, the government will

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<sup>85</sup> Consumer Basic Plan (Cabinet Decision, March 24, 2015)

<sup>86</sup> For example, utilization of waste biomass such as sewage sludge

strengthen the expansion of LNG markets in Asia. At the same time, in Japan the public and private sectors will come together to promote the development of petroleum and natural gas and develop and commercialize marine resources including methane hydrate, sea-floor hydrothermal deposits, and rare earth elements. In addition, regardless of peace time or not, to secure a stable supply of petroleum and LP gas in Japan, measures to maintain and strengthen the supply chain will be implemented.

With regard to nuclear power, safety will be given priority above all else. In the case that the Nuclear Regulation Authority confirms the conformity of nuclear power plants to the new regulatory requirements, which are the strictest in the world, the government will respect the Authority's judgment and confirmed nuclear power plants will be restarted. The government will stay in front and work to promote understanding and cooperation from local governments and other interest parties in the plant areas. Efforts will also be advanced to promote spontaneous improvement in the safety of nuclear power plants, strengthen disaster prevention measures, and promote reprocessing of spent nuclear fuel, final disposition of radioactive waste, technical development, human resource development, and international cooperation, etc.

#### **(5) Contribution to the global environment**

To address threats of climate change on a worldwide basis, under the Paris Agreement,<sup>87</sup> the government will aim at a significant reduction in domestic green-house gas emissions and promote the "Global Warming Prevention Plan"<sup>88</sup> in order to make full contribution to global reduction of greenhouse gas emissions as well as further economic growth in Japan by promoting overseas development of excellent low-carbon technologies. In addition, the government will promote "National Plan for Adaptation to the Impacts of Climate Change,"<sup>89</sup> including the improvement of infrastructure of information about climate-related risks and adaptation measures for agriculture and disaster prevention.

Meanwhile, there are a number of measures for the government to secure funds for promoting the use of forests as carbon sinks and undertaking regional measures to address global warming. To promote the use of woody biomass as energy and the use of wood as a material to reduce CO<sub>2</sub> emissions during energy production, the government will continue to use the tax for global warming countermeasures for model businesses, technical development, and research. While clarifying the roles of municipal governments

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<sup>87</sup> Paris Agreement: enforced on November 4, 2016 (Japan agreed on November 8, 2016 with effect on December 8, 2016)

<sup>88</sup> "Global Warming Prevention Plan" (Cabinet Decision, May 13, 2016)

<sup>89</sup> "National Plan for Adaptation to the Impacts of Climate Change" (Cabinet Decision, November 27, 2015)

in forestry development where socially beneficial functions are expected but voluntary thinning operation by forest owners is not expected because of natural and social disadvantageous conditions, the government will review necessary forest-related laws and regulations, reflecting opinions of local governments. With these measures, to establish the "forestry environmental tax (tentative name)," including the use of the framework of individual inhabitant tax on a per capita basis, that basically asks citizens in both urban and rural areas to assume equal financial burdens to support the funds necessary for initiatives implemented by municipal governments to develop and manage forests, the government will comprehensively consider specific systems and mechanisms and determine it in the FY 2018 tax reform prepared by the ruling party, reflecting opinions of local governments.

In addition, the government will advance the formation of a recycling society through: effective utilization of waste as a resource and an energy source; reduction of food waste, preservation of rural lands, mountains, and marine areas, implementation of measures to address marine litter, micro-particulate matter (PM2.5) and chemical substances control; and international development of waste disposal and septic tanks. The government will also promote efforts for the development of local communities oriented toward recycling and coexistence.

## **(6) Promotion of statistics reforms**

Based on "Summary of Council for Promotion of Statistic Reform,"<sup>90</sup> the government will promote both Evidence-based policymaking (EBPM<sup>91</sup>) and statistics reform in an integrated manner like the two wheels on an axle.

The government will develop the key functions of EBPM promotion and promote EBPM practice through review functions at each category like policy, measures and administrative operations in order to establish a system to promote EBPM. In addition, the government will promote the improvement of economic statistics focused on the GDP statistics, the reconstruction and reuse of statistics system from an users' perspective, reduction of burden on respondents, review of statistical administration and operational efficiency, and base reinforcement. In doing so, to ensure the implementation of reform on a medium- and long-term basis, the government will secure necessary resources in a planned manner. The government will also reduce statistical costs of both the public and private sectors by 20% over three years by measures such as improving efficiency of statistics.

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<sup>90</sup> Summary of Council for Promotion of Statistic Reform (Determined by the Council for Promotion of Statistic Reform on May 19, 2017)

<sup>91</sup> Abbreviation of Evidence-based Policymaking

The government will consider establishing an indicators group (dashboard) that complements the existing economic statistics and represents well-being and quality of life (QOL) such as people's sense of happiness and utility, and aim to utilize it for policy planning.

## **Chapter 3 Progress towards and promotion of reform for economic and financial integration**

### **1. Steady promotion of reform for economic and financial integration**

Under the basic policy "Without economic revitalization, there can be no fiscal consolidation," the government continues to make efforts to achieve both the target of a 600 trillion yen economy and the fiscal consolidation targets of FY 2020.

In FY 2018, the last year of "the Intensive Reform Period" in the "Plan to Advance Economic and Fiscal Revitalization," the government continuously will make effort to improve spending and revenues, including the efficiency of the social security system, will be promoted under the Plan. In doing so, "visualization" of the reforms, adoption of innovative and best practices, and wise spending will be strengthened and evidence based policy making will be promoted. In addition, the government will promote integrated approaches for health care, medical care, and nursing care, and new approach that transcend conventional vertically integrated projects for broadening the revitalization of social capital stock. For the interim evaluation of the progress toward achieving the targets, the government will strengthen check and assessment of the progress of reforms and relationship with the fiscal consolidation targets, and measurement and analysis of effects of the previous and current major policies.

The government will enhance the quality of human resource capital and increase the potential growth rate. For this purpose, the government will improve the productivity of the economy and society through the enforcement of human resource investment and R & D investment with enhancing the sustainability of social security. The government will view additional increases in expenditures, and will secure appropriate and stable financial sources. For expenditures that will occur during a finite period of time, the government will secure funding from sources such as the sale of assets to strictly maintain fiscal discipline.

### **2. Cross-cutting issues for reform**

#### **(1) Promotion of "Visualization," nationwide dissemination of advanced and excellent practices, and wise spending**

##### **1) Thorough implementation and expansion of "visualization" with more comparability**

Expand "visualization" with more comparability, to promote factor analysis and solutions exploration of regional disparities in economy, public finance and living standards, leading to common understanding of issues and behavioral changes among people concerned. The government will also make "visualization" as the foundation for the promotion of

nationwide dissemination of advanced and excellent practices, thorough wise spending, and strengthening incentives toward structural reform.

For "Database of "visualization" of Economic, Public finance and living standards Index," the government will implement measures such as to expand and improve its functions to allow comparison among local public organization based on more multifaceted standards.

## **2) Encouragement of nationwide dissemination of advanced and excellent practices**

To accelerate the dissemination and introduction of advanced and excellent practices of public services reform down to the municipal government level, ensure progress management based on specified process flows and outcome-oriented KPIs and promote the following measures.

The relevant Ministries and Agencies that support nationwide dissemination of advanced and excellent practices will secure comparability among local public organization by promoting detailed classification organization and data standardization so that they can clearly recognize the effectiveness of practices. In addition, for the reform of public services that local governments are promoting jointly and positively by sharing common issues among them and utilizing the public service innovation platform and other frameworks, the government will support their independent initiatives as the reform "of the local, by the local, for the local" aiming at nationwide dissemination of advanced and excellent practices that will be a good model for other local organizations.

## **3) Thorough implementation of wise spending**

The government will further improve the quality of budget by strengthening framework for wise spending to severely reduce expenditures having a low effect and allocate them to more effective measures.

In the process of the budget drafting, the government will ensure prioritizing of measures through discussions at the Council on Economic and Fiscal Policy and in other stages of the process, and fully use of analysis and evaluations of policy effectiveness based on data. Particularly, for new government-subsidized projects, the government will strive to effectively implement the projects by enhancing the government's capacity to identify an outcome of the projects.

## **(2) Promotion of Evidence Based Policy Making through the preparation of data platforms**

The government will establish a policy-making PDCA cycle based on objective evidence by making a standardized comprehensive platform in each field. At the same time, the government will aim to realize "Society 5.0" by establishing a data-driven society through the encouragement of private use while securing confidentiality of sources. When building a data platform and collecting and creating data, the relevant ministries and agencies will standardize them among regions to enable comparison of policy evaluation between regions. In addition, the government will encourage local governments to promote EBPM in pace with the national government, reflecting the "Summary of Council for Promotion of Statistic Reform."

"Visualization" of actual states of benefit payments and regional gaps will be further promoted in the medical and care service areas.

To streamline the maintenance and management of social capital, the government will establish data platform for social infrastructure and promote the utilization of data at work sites. The government will also aim to utilize data for the improvement of urban designing and productivity in industries, including agriculture, while utilizing the G-spatial Data Center and collaborating with local universities. The Council for Science, Technology and Innovation, the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, and the relevant ministries and agencies will cooperate in standardizing data forms, system linkage, and organizing and implementation of measures.

The Council for Science, Technology and Innovation will take the initiative to systematically develop data to evaluate and analyze science, technology, and innovation policy as a foundation of knowledge.

In the area of education, to analyze effects and costs of education policy and environmental factors, the government will enhance education-related data, accumulate research results, and promote data utilization by a wide range of researchers.

### **(3) Formulation and implementation of an outlook for the future**

Given the population decline, aiming at encouraging local governments to carry out well-planned measures in the policy areas such as social security reform, and restructuring/integration and measures against aging of public facilities, the relevant Ministries and Agencies will work together to further "visualization" of demands and costs, including the consideration of their future outlook. In addition, based on Japan's future population size of 100 million and expanding inbound business opportunities as well as public-private

partnerships, the government will specify KPIs and a progress schedule for the implementation and realization of a long-term plan for land development, and cross-cutting initiatives across the entire government through evidence-based PDCA cycle.

### **3. Reform initiatives in each key area**

#### **(1) Social security**

##### **1) Basic thinking**

Looking ahead to FY 2025 when all of the baby-boomer generation will be 75 or older, the government will improve Quality of Life through data health and preventive measures and maintain Japan's universal health care coverage and universal pension coverage, which are among the best in the world, and hand them down to the next generation. To this end, the government will promptly consider 44 reforms under the "Plan to Advance Economic and Fiscal Revitalization," and steadily undertake them according to the reform time schedule.

Since FY 2018 is expected to be a milestone year for important measures, including simultaneous revision of medical service and long-term care fees and implementation of various plans, enforcement of fiscal management of National Health Insurance at the prefectural level, and revision of the long-term care insurance system, the government will implement measures to secure an organic linkage of reforms. The government will introduce effective incentives based on fair burden sharing and will provide effective supports based on "visualization." Through these effects, the government will strengthen prefectures' comprehensive governance and will also provide effective services to meet people's needs in an efficient manner while controlling medical and long-term care fees that are rising faster than the rate of the aging population.

##### **2) Realization of the community health care vision, formulation of consistent medical care plans and insured long-term care service plans, etc.**

To realize a community medical plan, the government will promote specific discussion at each region's "Coordination Committee for health care vision." The government will provide hospitals with data to promote the division of roles of sickbeds functions and promote intensive consideration for about two years to establish specific measures, including individual names of hospitals and the number of sickbeds to be converted in function. To this end, the government will promptly consider establishing provisional systems of long-term care facilities and home healthcare services and how to proceed with discussions on restructuring consistent chronic phase care functions in regions. If such voluntarily functional differentiation/coordination of sickbeds makes no progress, the government will promptly consider at relevant councils and other meetings the provision of

authorization to prefectural governors so as to properly fulfil their roles. In addition, the government will concentrate the distribution of "Integrated Securing of Funds for Regional Medical and Preventive Long-term care" on prefectures that have established specific project plans.

Based on an additional required quantity (some 300,000 patients) for long-term care facilities and home healthcare services in 2025 under the Community health care vision, the government will provide prefectures and municipalities with the concept of estimation by this summer in order for them to discuss and establish consistent targets and estimated quantity.

To promote consultation with primary care doctors, from a perspective of functional differentiation of hospitals and clinics as well as a perspective of sustainable health insurance finances, regarding fixed-sum payment by outpatients at a hospital, the relevant councils will discuss specific measures, including reviewing fixed-sum payment for the current selected healthcare services, and make a determination by the end of this year. In addition, measures for increasing emergency medical care in line with aging population will be discussed.

Given that fiscal management of National Health Insurance is expected to be taken over by prefectures, governance of prefectures will be strengthened and incentives will also be strengthened with outcome indicators for the insurer effort support system and distribution of special adjustment subsidy. The current ordinary adjustment subsidy has a calculating method where when medical fees increase, the distribution of subsidy also increases. While maintaining the income adjustment function, from a perspective of making incentives work better for the optimization of medical costs, the relevant personnel will verify the way of adjustment and distribution regarding regional gaps and promptly consider reviewing them in consideration of smooth shift to the new system in FY 2018. In addition, municipalities will be encouraged to systematically reduce and eliminate extra-legal transfer of general account funds.

The limited number of medical students, which has been temporarily increasing since FY 2008, will be carefully reviewed based on the prospected supply-demand of doctors. In addition, after fully discussing the expansion of the scope of nurses' specific activities to reduce doctors' burden to secure quality medical care while increasing the number of doctors will lead to secure doctors in regions on the whole so that every single person can obtain necessary medical care, the government will promote task shifting and task sharing. At the same time, the government will consider drastic measures to address uneven

geographical distribution of doctors and uneven specialty distribution, including medical treatment by a group of doctors and support for doctors' flexible work in remote areas.

### **3) Optimization of medical costs**

Prefectures will play a leading role in establishing a consortium with participation by municipalities, insurers, and medical professionals to address various regional issues, including encouraging the modification of patients' behaviors and medical institutions' medical practices. The government will provide citizens and medical institutions with easy data "visualization," including the regional gap in medical treatment.

To narrow the regional gap in medical costs by half, the government will implement measures to address outpatient costs specified in the basic policy for the optimization of medical costs and consider prompt implementation of additional measures. At the same time, with regard to inpatient medical costs, the government will clarify to what extent reduction in medical costs is expected by realizing the community health care vision. If these measures cannot fully reduce the regional gap, the government will consider implementing additional measures.

Based on the evaluation of results of the second term plan for optimization of medical cost, the government will consider the utilization of the Act on Assurance of Medical Care for Elderly People,<sup>92</sup> Article 14,<sup>93</sup> if necessary, at relevant councils within FY 2017.

With regard to Health Insurance Claims Review and Reimbursement Services, in line with the "Implementation Plan for Regulatory Reform," the government will promote a wide range of reform, including expansion of utilization of medical professions such as full-time doctors for examination of fees and the reform of the examination committee. Basically within the range of operational efficiency, together with the Federation of National Health Insurance Associations,<sup>94</sup> the government will promote measures, including support for utilization of big data for insurers contributing to the provision of qualified and effective services.

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<sup>92</sup> Act on Assurance of Medical Care for Elderly People (Act No. 80, 1982)

<sup>93</sup> The article stipulates that as a result of evaluation of performances of optimization of medical costs, to achieve the objective in the plan to provide efficient medical services and promote the optimization of medical costs, in the event the Minister of Health, Labour and Welfare finds it necessary, the Minister can determine different amounts of medical fees in a prefectural area in consideration of its condition from those of other prefectures to the extent considered reasonable from a perspective of fair provision of appropriate medical care services to each prefecture.

<sup>94</sup> All-Japan Federation of National Health Insurance Organizations, and Federation of National Health Insurance Associations

#### **4) Health promotion, promotion of preventive measures, etc.**

As the base to provide individual and patient-centered optimal health management, medical treatment, and care, the government will link big data of health with that of medical and long-term care so that medical institutions, insurers, researchers and the private sector can make the most of it. At the same time, to realize a "Healthcare Data Platform" that can be useful for people's health management and long-term care where effects of self-reliance support are proved scientifically, the government will aim to start full operation the FY 2020 of database to collect and analyze necessary data.

The government will strengthen incentive measures by the National Health Insurance by promoting data health measures in municipal national health insurance, including a perspective of building a healthy town, and encouraging the utilization of the insurer effort support system of the National Health Insurance and transferred funds in prefectures. The government will also strengthen incentives by reviewing the adjustment of financial support provided to elderly people aged 75 and over to raise it in stages to the legal upper limit ( $\pm 10\%$ ) and disclose the implementation rate of specific health check and health guidance for all insurers from FY 2017.

While strengthening industrial physicians and industrial health functions and promoting the utilization of professionals in charge of healthy management, the government will encourage companies to promote health management through cooperation with insurers and promote nationwide development of good practices in health improvement and illness prevention.

In addition, from a perspective of health improvement, counter-measures against passive smoking will be thoroughly implemented. Also, from a perspective of preventing diseases and the aggravation of diseases and cooperation with health insurance services toward prevention of severe diseases, the government will review the medical fees, and since oral health contributes to overall health, the government will enhance dental health medical care, including the expansion of lifetime dental checkup and the promotion of oral function management for inpatients and elderly people requiring long-term care.

To end the battle with cancer, the government will promote the primary prevention of cancer, consider reviewing the content of cancer screening as secondary prevention, and improve the screening rate. The government will also integrate cancer genome information and clinical information to establish a system to provide quality genome medical treatment (cancer genome medical treatment promoting consortium) and develop innovative medical treatment such as immunotherapy of cancer and diagnostic technologies. In

addition, the government will establish qualified clinical trial and clinical research systems in consideration of information provision from a standpoint of patients.

Given the actual situation of alcohol-related illness, drug dependence, and gambling problems, the government will promote the improvement of consultation and treatment systems, including environment improvement to support private organizations to work comfortably.

#### **5) FY 2018 revision of medical service and long-term care fees, etc.**

Based on the situation of medical costs growing faster than the aging population, insurance premium burden on the public, trend in commodity prices and wages, medical institutions' revenue due to an increase in medical fees and business conditions, and health insurance finances and national finances, the government will consider the way of revising medical fees.

The government will verify the revision of medical fees in the past, aiming to strengthen cooperation between regional medical institutions and further promote functional differentiation of hospitals and cooperation between hospitals in order to contribute to the realization of the community health care vision. To this end, from a viewpoint of providing appropriate medical services and long-term care suitable for the patients' actual conditions, the government will consider what the appropriate basic hospital charges should be, including medical fee level and calculation requirements, and what appropriate long-term care fees and facility level for long-term care hospitals<sup>95</sup> should be, and promote shifting them to long-term care facilities and home healthcare.

To strengthen cooperation between relevant parties in medical and long-term care, the government will approach both medical fees and long-term care fees. Measures to be taken include well-defined long-term care fees reflecting outcome to provide incentive for long-term care service operators for self-reliance support, and easing of manning criteria for home-visiting nursing focused on living support and its fee setting, and appropriate fees for other services, including day service. The government will specifically consider these measures at relevant review meetings and implement them at the FY 2018 revision of long-term care fees.

In addition, for the enforcement of the revised Act on Comprehensive Support for the Daily

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<sup>95</sup> A long-term care facility to be established by the revision of the Long-term Care Insurance Act in 2017. The facility has medical care functions including "daily medical management" and "end-of-life care and terminal care" to meet needs for terminal medical care and long-term care and also has functions as a "living facility."

and Social Life of Persons with Disabilities,<sup>96</sup> the government will consider specific services to establish and implement them at the FY 2018 revision of fees for welfare services for the disabled.

#### **6) Long-term care insurance system, etc.**

The government will secure long-term care services to meet nursing needs and promote community-based total care. With regard to the provision of financial incentives to strengthen functions of insurers, the government will promote measures for self-reliance support and prevention of serious cases of disease by considering the way of providing subsidies that are included in the revised Long-term Care Insurance Act,<sup>97</sup> reflecting opinions from local parties concerned, and materialize them early. At the same time, the government will consider the utilization of adjusting subsidies. In addition, the government will establish a long-term care service fee system and long-term care facilities criteria in order to promote an earlier shift from long-term care hospitals. To narrow the regional gap in long-term care cost per person, the government will realize "visualization" of regional gaps in long-term care fees and in the approval rate for qualification regarding care services and benefits, as well as measures by individual local governments to adopt good practices nationwide.

To secure long-term care workers, in addition to the previous improvement of compensation for long-term care workers, the government will secure diverse human resources, develop human resources, reduce labor burden through production improvement, and promote safe and comfortable work environments in a comprehensive manner.

With the realization of the Japanese National Dementia Strategy (New Orange Plan), the government will support patients with dementia and their supporting families. To aim to establishment of a recycling system where timely and appropriate medical and nursing care services are provided to patients with dementia according to their condition in each stage such as the prevention of dementia, early stage of dementia, at the time of acute exacerbation, and at the terminal stage of life, the government will promote necessary measures, including the establishment of an intensive support team for early stage of dementia, the development of Dementia Medical Center, and strengthening of cooperation with community-based total care centers. In addition, the government will strengthen the

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<sup>96</sup> Act for Partial Revision of the Act for Comprehensive Support for Daily and Social Lives of Persons with Disabilities and the Child Welfare Act (Act No. 65, 2016)

<sup>97</sup> Act for Partial Revision of the Long-term Care Insurance Act, etc. to strengthen the Integrate Community Care System (Act No. 52, 2017)

community-based total care centers, train and utilize supporters for patients with dementia, develop and disseminate rehabilitation of impaired life function, disseminate family support, and promote the utilization of adult guardians in a comprehensive manner.

**7) Radical reform of the drug pricing system, revision of dispensing fees for the realization of the patient-centered separation of medical and dispensary practice, proper use of drugs, etc.**

Based on the "Basic Policy on complete reform of the National Health Insurance drug price system" (December 20, 2016), the government will address drastic reform of the drug pricing system, including response to growing markets in line with additional indications, research and revision of drug prices every year, zero-based fundamental review of the pricing premium system for the promotion of new drug development and the elimination/resolution of off-label use, and full introduction of cost-effectiveness evaluation. Through these measures, the government will balance a strike between "sustainability of universal healthcare" and "promotion of innovation" to realize "reduction of national burden" and "improvement of medical treatment quality," both of which are beneficial to the public.

In doing so, the government will establish a mechanism where the drug prices will be promptly reduced with reference to re-calculation of market expansion if drug sales increase to a certain level more than the expected amount covered by insurance. In that mechanism, a drug price survey on all drugs is conducted every year and, depending on the results, the public burden will be reduced significantly. To apply the pricing premium system for the promotion of new drug development and the elimination/resolution of off-label use, the government will focus on innovative drugs to promote the development of innovative new drugs and reduce the public burden. The government will establish a drug pricing system reflecting the evaluation of cost-effectiveness based on evidence. To this end, reflecting expertise of professionals, the government will consider how to establish the system, including the creation of a transparent organization and framework from a third party perspective and obtain conclusions within this year. In addition, while encouraging investment for the development of new drugs by setting drug prices according to their innovation and usefulness, the government will establish a mechanism to further reduce drug prices where if new drugs are less innovative and useful than similar drugs, the drug prices of such new drugs are differentiated from those of innovative new drugs. By evaluating innovative new drugs while reducing the prices of long-listed drugs, the government will promote the transformation of the business models of the drug industry that depend on long-listed drugs, to an industrial structure that has a high capability of discovering innovative drugs.

In consideration of pharmaceutical manufacturers' functions, including stable supply of drugs, and the sound development and fostering of the generic drug industry, the government will consider and determine the integration of price ranges of generic drugs. In addition, for the drug price survey, while considering sensitive information of individual companies, the government will consider the expansion of the scope of disclosure of survey results in consideration of the impact on wholesalers. The government will improve the efficiency of distribution structure to secure stable distribution of drugs in consideration of companies' business conditions, and promote the improvement of drug distribution and appropriate measures for the revenue structure in line with market environments.

These measures will be promoted while the process is being clarified. In addition, to create a competitive pharmaceutical industry, the "Comprehensive Strategy to Strengthen the Pharmaceutical Industry"<sup>98</sup> will be reviewed.

To realize patient-centered separation of medical and dispensary practice, the government will encourage regular pharmacists and pharmacies to perform their functions, including centrally and continually understanding information on taking medicine in cooperation with multi-occupational and relevant organizations in the region. As a measure for this purpose, the government will promote information sharing by ICT (ex.: an electronic medicine notebook is available at every pharmacy).

With regard to dispensary fees, while optimizing the evaluation of work such as prescription of drugs and consideration, the government will consider the evaluation of person-to-person work such as home-visiting and solution of unused drugs, including the way of differentiation of pharmaceutical functions. Along with these reviews, the government will fully examine actual functions performed by various types of insurance pharmacies to promote further evaluation accordingly.

Regarding appropriate use of pharmacies, the government will consider promoting prescription refills<sup>99</sup> for stable-conditioned patients based on the doctor's order, which will contribute to the solution of a leftover drug problem. In addition, the optimization of double medication and polypharmacy will be promoted in cooperation with insurers reflecting the role of the doctor and that of the pharmacist. The government will consider the way of double medication and polypharmacy for life-related diseases of elderly people and also

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<sup>98</sup> "Comprehensive Strategy to Strengthen the Pharmaceutical Industry" (established by the Ministry of Health, Labor and Welfare on September 4, 2015)

<sup>99</sup> System where the doctor provides a stable conditioned patient who receives a long-term medication with repeatable use of a prescription at certain times for a certain period specified by the doctor, with which the patient can receive medicines repeatedly at a pharmacy.

consider measures regarding appropriate prescription of medicines, including the development of guidelines, reflecting survey at home and abroad. Furthermore, to secure the effectiveness of medication for patients, the government will promote efficient and effective use of medicines through measures including the research and development of companion diagnostics.<sup>100</sup>

In addition, while promoting self-medication, the government will promote a program of health support pharmacies which appropriately provide consultation on health maintenance and enhancement, over-the-counter drugs, and advice on medication as something familiar to residents.

The government will consider promotional measures for the use of generic drugs, aiming at an 80% usage rate of generic drugs by September 2020 or its earlier achievement. While enhancing supporting measures for the research and development of biopharmaceuticals and biosimilar pharmaceuticals, the government will disclose the effective amount of optimization of medical costs and value share of biosimilar pharmaceuticals and aim to double the number of biosimilar pharmaceuticals (number of ingredients basis) by the end of FY 2020.

## **8) End-of-life care**

To encourage people to fully discuss medical services at the terminal stage of life and promote the provision of opportunities to routinely think of such matters and the improvement of environment for patients to express their will which will be shared by related persons, the government will promote the dissemination and awareness of the issue to residents, cooperation between relevant parties, and the development of human resources who can provide appropriate consultation, and promote nationwide development of advanced practices for reference.

## **9) Revision of the public assistance system and the self-reliance of the needy**

The government will strengthen the improvement of frequent medical consultation and the promotion of generic drugs for the purpose of optimizing medical subsidies. To realize efficient and effective health management to prevent lifestyle-related diseases, the government will consider a mechanism of implementation of health data. To improve children's lifestyles, the government will consider measures in collaboration with schools as role models. The government will also provide self-reliance support, including university

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<sup>100</sup> Diagnostic reagents contributing to specified medical care by using them to specify acceptable patients for therapeutic medicines

entrance by children of households receiving welfare aid, while securing necessary financial resources. The government will support employment based on the situation that there is a significant regional gap in the labor participation rate, employment, and income increase. Understanding the status of dependents, the government will implement appropriate aid practice.

The livelihood assistance standards will be verified in detail from a perspective of equal treatment with general low income households and expenditures. Area classification will be verified for reviewing.

The government will understand the poor who have not necessarily been provided with assistance and promote the improvement of consultation and support systems leading to assistance for all households of the poor. Based on the actual situation of regions, the government will consider reviewing the support menu for self-reliance, including promoting measures for support measures for employment, household consultation, learning support for children, and housing support in consideration of cost-effectiveness.

## **(2) Social Infrastructure development**

### **1) Guiding principles**

With the goal of achieving enhanced productivity of cities and towns, the government will reinforce a framework to revitalize infrastructure and land stocks as the area. Therefore, it will promote formation of the Compact Plus Network, revitalization of land utilization, provision of appropriate public capital stock, and smart infrastructure management, as well as implement reforms in a steady manner according to reform time schedules with regard to reform items. In order to take approaches to reduce public burden pertaining to development and management of public facilities and to increase private investment and business opportunities, the government will steadily promote dissemination of PPP/PFI in accordance with the "Growth Strategy 2017" and the "Action Plan for Promoting PPP/PFI (revised in FY 2017)."<sup>101</sup> Furthermore, existing facilities will be effectively utilized to the maximum extent, and focus will be placed on areas to enhance growth.

### **2) Promotion of the Compact Plus Network**

With the goal of achieving the created "site optimization plan," the government will promote establishment and lateral adoption of model cities, facilitate collaboration between urban/town development and various political measures of different areas, and prioritize

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<sup>101</sup> "Action Plan for Promoting PPP/PFI (revised in FY 2017)" (Decision by the Council for the Promotion of Private Finance Initiatives on June 9, 2017)

support measures across Ministries and Agencies. In addition, by providing consultation through comparative validation of plans and encouraging thorough implementation of PDCA to local governments, the government will encourage them to continuously improve the quality of the plans.

It will commence consideration for the purpose of revising the current city planning system, which is based on expansion of communities, into a system that easily responds to the Compact Plus Network. As a first step, review on city planning road will be accelerated. Moreover, in order to achieve optimization of urban structure through public-private partnership, it will promote establishment of a foundation for data utilization regarding city planning and advancement of city planning methods utilizing big data. In doing so, while synchronizing with realization of a "site optimization plan" and improving convenience of public transportation, the government will promote establishment of a sustainable public transportation network.

### **3) Provision of appropriate public capital stock and smart infrastructure management**

The government will promote local governments' creation of an "individual facility plan," concentrate/integrate public facilities based on the plan, and continuously review and improve the comprehensive management plans for public facilities in response to progress. Therefore, the relevant Ministries and Agencies will formulate guidelines, provide maintenance and renewal costs estimate software, and implement lateral adoption of innovative practices. After ensuring comparability, the government will provide the local governments with support for formulation of effective individual facility plans. In addition, "visualization" to demonstrate the efforts and their results in comparable formats will be promoted by utilizing private sector's know-how, such as comparisons between local governments of forecasts for medium/long term maintenance and renewal costs per citizen in a given period. Prefectural governments will also provide support for these efforts.

With regard to research and development of infrastructure maintenance and updates implemented by related ministries and agencies, the Council for Science, Technology and Innovation will play a leading role in promoting organization and "visualization" of programs and budget, and measure "visualization" and lateral introduction of outcome from a cross-government perspective. In addition, through the National Convention for Infrastructure Maintenance, utilization of vitality and know-how of the private sector will be promoted, excellent practices will be adopted across the nation, and associated companies will expand their businesses into overseas markets.

#### **4) Effective utilization of land without a readily-identifiable owner, land which has been underutilized, vacant houses, etc.**

Lands without readily-identifiable owners<sup>102</sup> have been addressed as a common agenda when implementing public works projects and consolidating agricultural and forest lands. With the goal of proper utilization and management of these lands according to the conditions of individual areas, the relevant Ministries and Agencies will examine the clarifying requirements for agreement on managing common properties, establish a new system that enables a wide range of public use in response to local needs through the involvement of public bodies, and create measures to reduce lands of which inheritance registration has not been made in the long term. Moreover, they will aim at submitting a necessary bill to the next ordinary session of the Diet. Furthermore, taking into consideration an increase in lands without readily-identifiable owners due to a decline in population, examination on mid- and long-term issues including the registration system and land ownership will be swiftly initiated at an associated council, and results of the examination shall be reported to the Council on Economic and Fiscal Policy.

In order to promote circulation and utilization of vacant houses and lands through public-private partnerships, efforts being made by local governments and real estate-related organizations will be bolstered. The government will also offer support for utilization, management, and demolition of vacant houses and create website which provides nationwide information of vacant houses and lands. Moreover, it will enhance the real estate information infrastructure by developing indices cadastral survey and preparing maps of the registry office. In addition, while expanding the range for utilizing the certification system for statutory succession information, it will further proceed with efforts to, collect, organize, and utilize information on owners from both institutional and operational perspectives.

#### **5) Promotion of PPP/PFI**

To ensure sustainability of management of infrastructures such as water supply and sewage systems, goals are set to promote wider area operations by FY 2022. In accordance with the “Growth Strategy 2017” and the “Action Plan for Promoting PPP/PFI (revised in FY 2017)”, the government will strongly promote the utilization of various PPP/PFI such as concessions businesses. In addition, the government will promote lateral adoption of excellent practices for concentrating and integrating public facilities such as

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<sup>102</sup> According to a survey presented by the Ministry of Justice and Ministry of Land, Infrastructure, Transport and Tourism at “Study Group on Land Issue without Readily-Identifiable Owners”, currently, of lands without registration of property transfer for 50 years or longer, hilly and mountainous areas account for 26.6%, while 6.6% are in greater metropolitan areas. Approximately 20% of lands fall into the category of lands without readily-identifiable owners.

cultural facilities while utilizing PPP/PFI.

The government will promote formation of projects for municipal governments for mainly with a population of 200,000 or more, through operating an effective framework to prioritize PPP/PFI, including priority of PPP/PFI into requirements for adoption subsidies based on the purposes of subsidies, reducing support for projects not being reviewed, creating regional platform, and hands-on support from entrance to exit for such as expansion of project finding support, etc.

Positioning "public real estate" as a priority area in the Action Plan, the government will promote formulation of projects with "bundling and wider area operation" that commercialize development and management of multiple facilities and active utilization of the Private Finance Initiative Promotion Corporation of Japan.

#### **6) Promotion of prioritizing and streamlining and securing those responsible for work**

For the purpose of strategically developing social infrastructure, cost and benefit analyses on new investments will be thoroughly conducted, and projects with highly effective stock effects will be further prioritized, including private investment inducing effect. Comparative validation with other development methods will be carried out, and existing social infrastructure stocks will be efficiently utilized. Public burden will be reduced to the minimum by imposing a burden on beneficiary and private funds utilization. Therefore, it will lead to raising the investment efficiency of social infrastructure. During these processes, assessment and operation methods of stock effects will be developed, and utilized for a PDCA cycle.

In addition, as for "i-Construction" which improves construction efficiency when programs are being implemented, the government will promote its use to local governments and expand its use to a wide range of construction works and operation and maintenance. It will also develop and adopt advanced technology, such as AI and drones, and move forward with introduction of 3D models to each process. Also, with the goal of securing people responsible for medium- to long-term on-site work, measures against those without social insurance will be carried out, appropriate wage levels will be secured, and further empowerment of the youth and women will be promoted. Through establishment of appropriate construction periods and leveling of construction periods, the government will pursue the efforts of work style reform, which include achieving a five-day work week system and a shortening of long working hours.

### **(3) Local public administration and finance, etc.**

#### **1) Guiding principles**

Under the "Plan to Advance Economic and Fiscal Revitalization," the government will work on economic revitalization and fiscal consolidation at the national and local level and steadily proceed with all reform items in accordance with the reform schedule. Simultaneously, it will proceed with the reforms listed in the following paragraphs, fostering local governments' efforts and ingenuity, centering on promoting government administrative and fiscal reforms through "visualization" of the regional disparities between local government services, spreading advanced and excellent practices across the country, providing wider-area joint services beyond the borders of local governments, and promoting the use of IT and operational reforms at national government and local government levels. Through these efforts, the government will facilitate structural reforms of local administration and finance with an eye on the 2020s, and consider more efficient allocation of fiscal funds.

#### **2) Promotion of the administrative and fiscal reforms through "visualization" of regional disparities between local government services, etc.**

The Ministry of Internal Affairs and Communications will investigate the reserve funds held by local governments and identify/analyze factors/background of an increase in the funds including the outstanding amount of the funds and differences in the degree of the increase. Together with related ministries, it will immediately pursue efforts toward "visualization" and understanding of the actual situations regarding nonsubsidized services of local governments including situations of regional disparities in the levels of the administrative services, such as welfare and education, and gaps in financial capabilities, associated with the recovery of local tax revenues. Also, taking into account the adjustment of the financial capability gaps among local governments, the government will consider policies that lead to a correction of the uneven distribution of local taxes.

With regard to the performance indicators for national treasury disbursements, the government will facilitate establishing the performance indicators, and visualizing the progress of the measures. Aiming at efficient and prioritized local public services, the government will assess factors contributing to local disparities between similar local governments, such as in the cost of the services, and promote allocation of subsidies and grants that contribute to strengthening of incentives for local governments.

#### **3) Reforms of local allocation tax and other fiscal systems of local governments**

With regard to the Expense on Vitalizing Local Economies<sup>103</sup>, an item of expense used to calculate the local allocation tax for each local governments, based on the progress in achieving the result of the efforts toward regional reinvigoration, the government will move forward with measures such as a shift to calculation based on the result of efforts for the Expense on Special Measures Program Costs for Population Decline, and a shift to calculation based on the degree of the Regional economic reinvigoration for the Expense on Regional Vitalization Program. Concerning various measures associated with the Expenses Related to Priority Issues<sup>104</sup>, the government will take necessary measures, taking into account the identification and “visualization” of the outcomes of local governments’ efforts in the previous fiscal year, and the consideration of ways to implement the related measures in the following fiscal years.

The government will consider a broad range of effective measures toward promoting advanced and excellent practices depending on the dissemination situation of these practices, in order to expand the adoption of advanced and excellent practices of various measures contributing to the improvement of efficient spending, including in the areas of social security and social infrastructure development.

As for the local public enterprises, from a viewpoint of management improvement, the government will take measures to promote the "visualization" of the management conditions and structure such as assignment of an administrator, the application of the public enterprise accounting, and the utilization of external knowledge. Also, it will promote formulating management strategies for the public enterprises and the new public hospital reform plans, as well as promoting the examination on the fundamental reforms and conducting a check of their progress status and their effects. Furthermore, it will reinforce the support toward accelerating the consideration of wider-area/joint services including business consolidation/restructuring by measures such as promotion of dissemination of advanced practices including business consolidation/restructuring by overcoming differences in business conditions among enterprises, and the utilization of a simplified support tool for a future outlook as well as disclosure of the outlook.

In case of converting private universities to public status, the related information including the business outlook will be "visualized."

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<sup>103</sup> An item of expense used to calculate the local allocation tax for each local governments, which consists of two items, namely the Expense on Special Measures Program for Population Decline and the Expense on Regional Vitalization Program.

<sup>104</sup> Items of expense used to calculate the local allocation tax for each local governments.

While moving forward with expanding efforts in advanced operational reforms, the government will quantitatively identify the effects of the streamlined spending made by local governments in accordance with the reform schedule. Toward the interim assessment, concerning the amount of local allocation tax affected by the Top Runner program, the government will clarify how to use and how to handle the affected amount under the Fiscal Plan of Local governments, conditional upon that it will not undermine the local governments' motivations to reform.

Regarding the Subsidies for Regional Reinvigoration, the government will reinforce their effects by assessing the effects of individual and overall programs.

#### **4) Promotion of wider-area/joint services and operational reforms, etc.**

Based on the development of systems associated with collaboration and supplementation between local governments with small population scale and limited fiscal/administrative capabilities and surrounding core cities or prefectures, the government will steadily promote the provision of wider-area/joint public services by local governments, depending on situations of respective local governments.

The government will promote the introduction of outsourcing of counter services across the country through measures such as the implementation of the "Operation Reform Model Projects", the expansion of the scope for the standard outsourcing specifications, and creation of a simple tool to measure the cost-savings to be achieved.

#### **5) Improving the efficiency of national and local governments, wider use of IT, and operational reforms**

In accordance with the "Declaration to be the World's Most Advanced IT Nation - Basic Plan for the Advancement of Utilizing Public and Private Sector Data,"<sup>105</sup> the "Policy on the Promotion of Digital Government,"<sup>106</sup> and the "Report by the National and Regional IT Adoption and BPR Promotion Team,"<sup>107</sup> the government will steadily implement the national and local public operational reforms and the information system reforms. Moreover, in order to maximize the effect of utilizing public and private sector data, the national and local governments will work together on their system reforms, including the improvement in a cross-sectional platform regarding data utilization.

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<sup>105</sup> "Declaration to be the World's Most Advanced IT Nation - Basic Plan for the Advancement of Utilizing Public and Private Sector Data" (Cabinet Decision, May 30, 2017)

<sup>106</sup> "Policy for the Promotion of Digital Government" (Decision by the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, the Strategic Council for the Promotion of the Use of Public Data by the Private Sector on May 30, 2017)

<sup>107</sup> "Report by the National and Regional IT Adoption and BPR Promotion Team" (Decision on May 19, 2017)

The government will make efforts on expanding the use of the "My Number" system ("Social Security and Tax Number System") in other highly public areas, such as administrative affairs related to family registers. For the purpose to accelerate the dissemination of the My Number Card, the government will strongly pursue public-private efforts based on the "Roadmap for Promotion of the Use of My Number Card" and, from a viewpoint of ensuring the PDCA, based on the indicators, check/assess its progress status on a regular basis. With the goal to improve convenience of people's daily lives, the government will steadily make efforts to improve the systems toward fostering the utilization and wider-use of the Japanese Public Key Infrastructure in the private sector, including loading user identity verification to smartphones.

Regarding the local governments' adoption of cloud-computing, with encouragement from the national government, the local governments will formulate a plan that includes the adoption of cloud-computing, with progress being tracked at the national level. In addition, the government will promote nationwide adoption of the cloud-computing by visualizing and enabling comparison of the effects of the streamline spending and the efforts among the local governments.

Aiming at wider use of online administrative procedures, based on its progress, the government will promote the utilization of the electronic application systems established jointly with local governments and by the end of FY 2017, establish a government policy for promoting the utilization of local governments' online administrative procedures.

#### **(4) Education, science and technology**

In accordance with the reform schedule, the government will continue previous approaches and proceed with reforms based on the following four major policies: (1) streamlining the budget amid a declining birthrate; (2) promoting the utilization of private-sector funding; (3) improving the quality of the budget and prioritizing budget items; (4) ensuring thorough implementation of an evidence-based PDCA cycle.

For educational policy, it will promote efforts to establish an evidence-based PDCA cycle. In particular, through the next Basic Plan for the Promotion of Education, the effective PDCA cycle throughout all the life stages of education, from pre-school education to higher education and to adult education, will be established by national, prefectural, and municipal governments, according to their respective authorities.

Based on the "Expansion Initiative for Innovation and Public-Private Investment in Science and Technology," in order to strengthen the roles of the Council for Science, Technology

and Innovation as the headquarters, the government will steadily proceed with preparation for the creation of the "Public/Private R&D Investment Strategic Expansion Program" by utilizing the "Public-Private Investment Promotion Fund for Science and Technology Innovation (tentative name)" which is scheduled to be created in FY 2018. In addition, it will examine promotion measures regarding donations of evaluation assets to public universities and establishment of institutional and legal foundations, including further utilization of investment by the national research and development agencies. Through these efforts, as for R&D investments by government-operated institutions, the government will set a goal to achieve 1% R&D investment based on GDP, while maintaining consistency with the "Plan to Advance Economic and Fiscal Revitalization," in order to secure the necessary budget amount. With the goal of increasing investments from enterprises to universities and the national research and development agencies by three-fold by 2025, the government plans to achieve 4% or higher government/private sector combined R&D investments based on GDP by 2025.

In addition to the above-mentioned major areas of expenditure, the government will proceed with thorough reforms that do not allow sanctuaries for any areas of expenditure, such as organization/integration of similar programs, thorough elimination of redundant programs, and improvement in efficiency of programs.

## **(5) Reforming revenue measures, and compression of assets and liabilities**

### **1) Revenue reform**

#### **(Efforts to increase revenues)**

By proceeding with industrialization of public services, the government will increase tax revenues through broadening the tax base by increasing private sector share in economic activities. It will also secure stable non-tax revenues by effectively utilizing assets owned by the national and local governments, selling unnecessary assets, and through other means.

In order to promote the development of infrastructure for taxation, a mechanism of using My Number as a key will be promptly established to match financial and fixed asset information (including register and tax information) and income information.

#### **(Structural reform of the tax systems)**

As the structures of the economy and society have been drastically changing, the government will continue to proceed with a comprehensive overhaul of the entire tax system.

Taking into consideration the structural changes occurring in the economy and society, the structure of the personal income tax and property tax systems will be considered in accordance with the discussions in the Government Tax Commission. To recover the functions of income redistribution, the government will need to proceed with integrated measures in the field of tax systems, social security systems, labor policy, etc. As for the personal income tax, from a perspective of establishing a framework that allows recovery of the functions of income redistribution and various work styles, it will proceed continuously with careful considerations.

With steady implementation of advice issued by the "BEPS<sup>108</sup> Project" through international cooperation, the international tax system will be reconstructed in response to structural changes in global economic activities and the actual conditions of multinational corporations. In addition, the government will promote the further information sharing will also be further promoted among taxation offices in different countries.

With the rapid development of globalization and ICT (Information and Communication Technology), the government will improve convenience for taxpayers in the national and local levels, and strengthen measures of both the institution and execution in order to realize proper and fair taxation and to ensure credibility of the tax system.

## **2) Compression of assets and liabilities**

The government will promote effective utilization of assets owned by national and local governments (including those in special accounts) in cooperation with local governments and in accordance with the national policy to realize a Society in Which All Citizens are Dynamically Engaged. The sale of unnecessary properties will also be promoted. Revenue from such sales will be effectively appropriated to debt repayment and a one-time increase in expenditures such as reconstruction costs after the occurrence of a major earthquake.

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<sup>108</sup> Abbreviation of Base Erosion and Profit Shifting: Base Erosion and Profit Shifting

## **Chapter 4 Short-term principles in economic and fiscal management and guiding principles in budget formulation for FY2018**

### **1. The current state of the economy, forthcoming trends, and ways of thinking about immediate economic and financial management**

The Japanese economy is on a moderate recovery, while delayed improvement in part can be seen.

Concerning short-term prospects, the economy is expected to recover, supported by the effects of the policies, while employment and income situation is improving. However, attention should be given to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

The government has proceeded with efforts toward the goal of establishing a Society in Which All Citizens are Dynamically Engaged by the "Economic Measures for Realizing Investment for the Future,"<sup>109</sup> and the FY 2016 second supplementary budget which embodies this measure and FY 2017 budget.

The government will focus on increasing productivity through investment in human resources and returning its outcome to citizens. In addition, it will move forward with policies and efforts such as promoting investments for research and development toward the realization of Society 5.0, an expansion of disposable income by a continuous rise in wages, an improvement of the benefits using resources from a decrease in overtime earnings associated with shortening long working hours, and raising minimum wages by 3% per year with the goal of realizing 1,000 Yen, a work style reform including the introduction of Equal Pay for Equal Work aiming to improve in the working conditions of non-regular workers, an improvement in childcare and nursing care environments, and systems that enable those born into an underprivileged family and the poor to receive advanced education.

The government expects the Bank of Japan to achieve the price stability target of two percent in light of economic activity and prices.

### **2. Guiding principles in compiling the budget for FY2018**

#### **(1) Steady implementation of the "Plan to Advance Economic and Fiscal Revitalization"**

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<sup>109</sup> "Economic Measures for Realizing Investment for the Future" (Cabinet Decision, August 2, 2016)

In FY2018, the third year of the Intensive Reform Period following FY2016 and FY2017, the government will steadily implement the “Plan to Advance Economic and Fiscal Revitalization” and continue to go forward to achieve the goal.

The government will formulate a budget for FY2018 to accelerate the Integrated Economic and Fiscal Reforms in line with the Plan to Advance Economic and Fiscal Revitalization, the Economic and Fiscal Revitalization Action Program, and the reform time schedule.

The government aims to achieve a primary surplus by FY 2020, and at the same time steadily reduce the public debt to GDP ratio with the importance of the “fiscal consolidation targets” set in the “Plan to Advance Economic and Fiscal Revitalization” unchanged for implementing the reforms. Therefore, under the policy of "Without economic revitalization, there can be no fiscal consolidation," it will need to move forward with "three reforms," which are: overcoming deflation/economic revitalization, expenditure reforms, and revenue reforms.

## **(2) Guiding principles in budget formulations for FY 2018**

For formulating a budget for FY 2018, the following measures will be promoted intensively:

- i) The Council on Economic and Fiscal Policy will strengthen the progress management, check and assessment of the reforms and further proceed with collecting more evidence, based on the perspective of Evidence Based Policymaking (EBPM), reflecting the result of discussions and examinations into the budget formulation.
- ii) The government will expand investment in human resource and R&D, based on the importance to improve productivity of economy and society through human resource investment for realizing medium- and long-term growth, as well as enhance the sustainability of social security.
- iii) The government will steadily implement reforms in each major policy area, described in Chapter 3, in line with the reform time schedule as well as promote measures of ensuring and expanding “visualization,” spreading advanced and excellent practices across the country, and wise spending.
- iv) In other areas, the government will also eliminate waste in budgeting and allocate more money to really necessary measures based on strict prioritization.