

Basic Policy on Economic and Fiscal Management and Reform 2019

〔 June 21, 2019
Cabinet Decision 〕

The content of the Basic Policy on Economic and Fiscal Management and Reform 2019 is as described in the Attachment.

(Attachment)

Basic Economic and Fiscal Management and
Reform 2019
~A New Era of “Reiwa”:
Challenges toward “Society 5.0~

June 21, 2019

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Chapter 1 Current Situation of the Japanese Economy

1. Current situation of the Japanese and overseas economies and challenges

1) Current situation of the Japanese economy and challenges

In 2012 when the Second Abe Cabinet was inaugurated, Japan underwent economic downturn and deflation and amid decreased growth, intensified global competition and increased severity of the surrounding economic environment, the sense of stagnation and high level of uncertainty in the future prevailed among the Japanese people. For this reason, the Abe Cabinet placed economic recovery as the top priority policy issue and consequently succeeded in overcoming the deadlocked situation by strongly promoting and widely expanding the Abenomics.

The current Japanese economy has created non-deflationary situation, sustaining long-standing economic recovery and both nominal and real GDP have reached their highest level. Significantly, the employment and income environment, which are closely related to people's lives, improved as well. In terms of employment, despite the decrease in working-age population by approximately 5 million people in this six years, the number of employees has increased by approximately 3.8 million due to increasing labor force participation by women and the elderly. Also, backed by there, with highest level of corporate earnings continue, around 3.0% rise in the minimum wage has been achieved for the third straight year since FY2016 and the average pay rise for enterprises including small and medium enterprises has been standing at around 2% in the annual "spring offensive" wage negotiations, resulting in steady and continuous wage increase.

The result of Abenomics has spread to all regions across the country and the effective ratio of job offers to applicants in all 47 prefectures has remained consistently above 1, maintaining the highest level since the statistics was first collected and compared to the economic recovery phase in the mid-2000, amid a sense of economic recovery throughout the country, the inter-regional disparity has been narrowing. Furthermore, the land price in the provincial areas has started to pick up for the first time since the collapse of the bubble economy and there are signs of virtuous economic cycle in the provinces.

On the other hand, the exports and production are sluggish due to the slowdown in Chinese economy, etc. and as for their prospects, it is necessary to pay close attention to the downside risks including the effects of situations over trade issues on the world economy such as intensifying China-U.S. trade friction, as well as Chinese economic trend.

On the fiscal side, although Japanese fiscal conditions remain severe, the central and local

governments have secured the highest tax revenues thanks to the continuous economic recovery, and the ratio of the primary balance (herein after called as “PB”) of the central and local governments to GDP is expected to show a decrease from ▲5.5% in FY2012 to ▲2.8% in FY2018. In addition, economic revitalization and fiscal consolidation efforts are to steadily implemented, through establishing the New Plan to Advance Economic and Fiscal Revitalization (from FY2019 to FY2025), positioning the three year-period up to FY2022 when the baby boomer generation starts to turn 75 years old as the “Foundation-Reinforcement Period” (from FY2019 to FY2021), and formulating the FY2019 budget in line with the benchmarks.

In October 2019, toward establishing the social security system for all generations, the consumption tax rate is scheduled to increase from 8% to 10% to ensure stable fiscal resources for measures tackling the decreasing birth rate and social security system and also contribute to the enhancement of social security and for fiscal consolidation. In the planned consumption tax rate hike, applying the lesson from the previous consumption tax rate hike in April 2014, which resulted in weakening the strength of economic recovery, the government will take all possible measures to smooth out the demand fluctuations this time. That is, through provision of free education and enhancement of social security and enforcement of the reduced tax rate schemes, the impacts of the tax rate hike on the economy will be controlled to around two trillion yen. In addition, approximately 2 trillion yen as temporal and special measures of the FY2019 initial budget and approximately 0.3 trillion yen as tax measures, amounting to approximately 2.3 trillion yen, have just been incorporated, which is more than sufficient budgeting. The government will strive to level the demand fluctuations around the time of the consumption tax rate hike ensuring that the tax hike will not affect the recovery trend of the economy.

Turning to the mid- and long-term issues, it is undeniable that there are numerous challenges that have been taken over from the era of Heisei to the era of Reiwa. Including declining population, decreasing number of births and aging, arrival of the Fourth Industrial Revolution, sluggish productivity and potential growth, global trend of digitalization, trade issues and the emergence of protectionism, severe energy and environmental restrictions, revitalization of regional economies, frequent occurrence of massive natural disasters, sustainability of social security and public finance and the list continues. The major changes and the pressing issues facing Japan are too numerous to comprehensively list here. In particular, the population decline and decreasing number of births and aging, which is progressing at globally unprecedented speed, is the most serious issue faced by the Japanese economy.

2) Changing global economic environment and challenges

The global economic environment surrounding Japanese economy is embroiled in major

changes as well.

In the near term, the economic recovery pace has been dull as seen in slowdown in China's economy and partial slowdown in European economy. While there is an increasing momentum among the global community to focus on accomplishing SDGs in order to realize sustainable and inclusive economic society, the international frictions and trade conflicts between major countries over new technology and intellectual properties have emerged, which could cause new instability in the global economy. Also, there is a skeptical view about the growing globalism against the backdrop of the widening inequality, which generates the emergence of introverted and domestic-oriented movement as represented by the protectionism. Particularly, Japan is heavily dependent on energy supply from foreign countries and careful attention must be given to the uncertain trends in global politics and economic situations.

In such big changes in the international economic environment, establishing strategies quickly and applying them in revitalization of Japanese economy and maintenance and strengthening of global presence of Japan have become the important policy issues. In other words, Japan should take a lead in reaffirming the importance of international cooperation in economic policies. Also, at the G20 Summit in Osaka which is the first G20 summit to be hosted by Japan, it is important for G20 leaders to pull together to make a strong commitment to realization of sustainable and inclusive growth of global economy and for Japan to take a lead in turning the commitment into reality as host country.

The rules and mechanisms to solve international economic conflicts from a technical and neutral standpoint work as an effective brake against them. As an advocate for free trade, Japan will lead discussions towards international standardization of the "21st century trade rules" such as those incorporated in TPP11 and Japan-EU EPA and to further promotion of economic partnerships. In addition, Japan is urged to proceed with the creation of safe and reliable rules appropriate for the period of the international data-driven economic growth and contribute to promotion of global economic activities.

2. Direction of economic and fiscal management

1) Basic concepts

To further sustain and expand the virtuous economic cycle brought about by the Abenomics and overcome various challenges facing Japan and to achieve both sustainable and inclusive economic growth and fiscal consolidation are the most important goals for the Japanese economy to work toward. According to the basic policy of "Without economic revitalization, there can be no fiscal consolidation," Japan will implement the economic revitalization and fiscal consolidation in an integrated manner and aim for a realization of the nominal GDP 600 trillion yen economy toward around

2020 and the fiscal consolidation target¹ in FY2025.

To reach this goal, the following viewpoints are taken into consideration in promoting the initiatives.

The first thing is to strengthen economic growth by boosting potential growth rate. Amid concerns that the growth of labor force population slows in the mid- and long-term, it is necessary to boost potential growth rate by further stimulating human/physical investment toward the age of “Society 5.0” and dramatically improving productivity. In conjunction with the social implementation of the advanced technologies such as digitalization, economic and social structural transformation which makes it feasible and active contribution to solving global problems including international rule setting are imperative.

The second thing is to expand the virtuous cycle of growth and distribution. It is necessary not only to strengthen the potential growth on the supply side, but also to seek to continuously expand domestic demand and acquire external demand toward the expansion of this virtuous cycle. In terms of domestic demand, it is important to expand corporate profits and seek continuous expansion of consumption through increases in wages and income of employees and in terms of external demand, it is important to take in foreign vitality from Asia and others making good use of Japan’s soft power or through the economic collaboration and inbound, etc.

The third thing is to create a society in which everyone plays an active role and feels secure. In anticipation of the arrival of an era of “100-year life spans”, to build a society in which everybody including elderly people and young people can play an active role regardless of age, it is essential not only to promote “Human development revolution” to improve the quality of each person as human resource, but also to establish the social security system for all generations, with revising the conventional ways of thought and systems so that age doesn’t become the constraint in working, and expanding the supporters of social security by allowing them to freely select their work-styles *regardless of age*.

2) Challenges toward the new era: Acceleration to realize “Society 5.0”

Japan is now at the dawn of the new era of “Reiwa.”

In this new era, in spite of rapid progress of the declining population and decreasing number of births and aging, Japan is ready to overcome various challenges facing the country and turn crisis into opportunity. The key to this big paradigm shift is the realization of “Society 5.0” with digitalization as its driving force. The realization of

¹ To steadily implement economic revitalization and fiscal consolidation and aim to achieve the gross PB surplus of the central and local governments in FY2025. At the same time, to aim for stable decrease of government debt to GDP ratio.

“Society 5.0” is precisely the structural reforms of the economic society and while it will embody more sophisticated economy and more convenient and rich lives through the social implementation of the advanced technologies of the Fourth Industrial Revolution, it will help Japan to take the lead in providing the world with problem-solving models as a first-to-learn country. And as such, a society in which everyone can enhance his/her ability and play an active role regardless of age will be constructed in anticipation of the arrival of an era of “100-year lifespans.”

Amidst the severe global competition in the digital sector, it is imperative for the country to accelerate realization of Society 5.0 with a sense of urgency so as not to fall behind the world.

The realization of this new era will give Japan the chance to become a leader in the global paradigm shift in the sense that Japan will lead the establishment and international collaboration of rules and frameworks for data circulation and in recognition of “Now is the golden opportunity,” the government will work to implement the basic policies along the following directions.

(1) Establish a system suitable for the age of “Society 5.0”

The government will strongly promote the Action Plan of the Growth Strategy² towards strengthening of potential growth. The government will promote dramatic improvement in productivity through social implementation of the advanced technologies of the Fourth Industrial Revolution, and promote the reforms to the social security system for all generations towards realization of an ageless society including securing employment opportunities for workers up to 70 years of age so as to implement measures to improve the environment where people in all generations can play active roles making good use of their motivation and capabilities if they wish.

The government will promote the “Human development revolution” and “Work-style reform” including provision of educational contents and a shift of the existing educational system to multiple-track system that meet the needs of the age of Society 5.0. Furthermore, in order to improve income contributing to stimulating the domestic demand, and to maintain and expand the virtuous cycle of growth and distribution, the government will implement support measures for the “employment ice-age” generation and raise minimum wage while improving the economic growth rates and the productivity.

Towards regional revitalization, the government promotes Society 5.0 across the country and create rich and livable regions. The government will correct the monopolar concentration in Tokyo and create new movement of people to regions through measures

² “Action Plan of the Growth Strategy/Growth Strategy Follow-up/Action Plan regarding the Innovative Business in FY 2019” (Cabinet decision on June 21, 2019)

including promotion of dual-habitation/dual-work and improvement of environment where people living in urban area with abundant work experience can play active roles in regional areas. Furthermore, the government will promote town development based on the “smart city” basic concept, work on revitalization of the regional industries including tourism and agriculture, forestry and fishery industries and provide support for SMEs and microenterprises while strengthening the regional financial institutions.

(2) Virtuous cycle of economic revitalization and fiscal consolidation

The government will expand the virtuous cycle of economic revitalization and fiscal consolidation so that the economic revitalization will contribute to the fiscal consolidation and the fiscal consolidation will contribute to further progress of the economic revitalization.

To make this happen, the government will advance efforts to expand consumption through increasing disposable income and building social security systems for all generations, stimulate private investment toward the age of Society 5.0, and continuously expand demand and make public finance more efficient by promoting the entry of private sectors into the public services/public-private partnerships, etc.

Regarding the promotion of digitalization, the administrative departments in the central and local governments will take the initiative in working on the creation of the digital government as role model for other departments. Through a thorough digitalization and provision of next-generation administrative services, the government will realize reduction of various administrative costs, securing of stable life of citizens, expansion of business opportunities and improvement of productivity, etc.

In addition, based on the New Plan to Advance Economic and Fiscal Revitalization, the government will sequentially put the reforms into practice during the “Foundation-Reinforcement Period” toward strengthening of foundation to make economic growth and fiscal policy sustainable. In particular, the government will steadily conduct reforms to develop an environment that fosters sustainable social security system by 2022 when the post-war baby boomer generation starts to turn 75.

Under the prevailing severe fiscal conditions, in order to make use of the limited financial resources more effectively, the government will boldly inject resources into the promotion of investment into human resource and advanced technologies and the reforms for next-generation administrative services, to maximize the private sector’s potential and accelerate raising productivity and growth potential.

In addition, by strategically promoting the bold measures toward realization of the “Society 5.0” in chronological order, the government will overcome the falloff of demand

after completing the temporary and special measures and the Olympic and Paralympic Tokyo 2020. Moreover, the so-called World Expo in Osaka/Kansai to be held in 2025 will provide an excellent opportunity to continuously transmit Japan's charms to the world. The efforts of the entire nation will be put into to make the World Expo the driving force for revitalization of the regional economy with the increase of tourists visiting not only the place of venue but also various parts of the country.

3) Short-term economic and fiscal management, etc.

Looking at the economic trend from a short-term perspective, although the Japanese economy continues to be on a moderate recovery trend, weakness is seen in exports and industrial production and careful attention must be paid to the overseas economic trends including the trade issues. In the case where the downside risks originating from the overseas economies materialize, recovery of the Japanese economy will lose its momentum and a path for the economic revitalization and fiscal consolidation will be cutoff. The government will firmly maintain the Abe Cabinet's basic policy "Overcoming deflation and revitalizing the economy with the highest priority" and strive to take all possible policy measures to manage economy, to sustain the recovery trend of economy and spread the effect of the economic recovery to each of Japanese nationals.

Also in the initial budget for FY 2020, based on the degree of the impacts of the consumption tax rate hike on the demand fluctuations and the latest economic conditions, etc. the government will take the appropriate-scale temporary special measures, separately from the policy of continuing expenditure reform efforts. In addition, the government will closely watch the downside risks originating from the overseas economies to grasp their effects on economy and finance rapidly and, in the case where those risks materialize, implement flexible macro-economic policies without hesitation.

The government expects that the Bank of Japan will pursue monetary easing under its price stability target of two percent, taking account of developments in economic activity and prices as well as financial conditions, and achieve this target at the earliest possible time.

In order to gain understanding of these government actions among Japanese nationals as well as disseminating it to the world, the government will conduct an active publicity campaign for gaining further understanding of the basic policies of the Cabinet.

3. Reconstruction from the Great East Japan Earthquake and other disasters

1) Reconstruction and revitalization after the Great East Japan Earthquake

“Without revitalization of Tohoku, there can be no revitalization of Japan.” Reconstruction and revitalization after the Great east Earthquake are the most important issues for the Cabinet.

Eight years have passed since the Great Earthquake, and as a result of our efforts, the rebuilding of almost all of the houses have been completed and in the areas catastrophically damaged by the Fukushima nuclear accident, the evacuation orders have been lifted for part of the areas in Okuma Town since this April and in the difficult-to-return-to zones, efforts for full-fledged reconstruction and revitalization are steadily being promoted, including the progress of the development of the Specified Reconstruction and Revitalization Bases³ in six municipalities⁴. The government will continue to accelerate the reconstruction.

In order to take appropriate actions after the Reconstruction and Revitalization Period, the government will formulate the basic policy within the year and as the successor organization of the Reconstruction Agency, it will establish a new organization across the ministries and agencies that acts as a “control tower” for accomplishing the reconstruction from the East Japan Earthquake under the responsibility and leadership of the government.

Through the Rugby World Cup 2019 and the Tokyo Olympic and Paralympic Tokyo 2020, the government will express its gratitude to the assistance and support from all around the world and actively disseminate the state of the affected areas in which the recovery is in progress and their charms in and outside Japan.

(1) Seamless support for affected people and revival of industries and livelihoods

Toward the final finishing of the reconstruction period, the government will accurately tackle various issues that occur as reconstruction steps progress and continuously provide seamless support according to each stage of life reconstruction by mainly focusing on the psychological recovery through physical and mental health care and community formation. In Iwate Prefecture and Miyagi Prefecture, the government will aim to eliminate the temporary living during the Reconstruction and Revitalization Period. Actions taken by the government for revival of industries and livelihoods include the

³ Specified Reconstruction and Revitalization Bases are part of the difficult-to-return-to zones, where the government seeks to lift the evacuation orders and enables returnees and others to live there.

⁴ Futaba Town, Okuma Town, Namie Town, Tomioka Town, Iitate Village, Katsurao Village

steady development of transportation and distribution networks, exploring sales channels for processed marine products, and the support for the establishment of new business facilities. With regard to tourism reconstruction in Tohoku, the government aims to have 1.5 million overnight stays by international visitors in the six Tohoku prefectures by 2020 and assists Fukushima Prefecture in promoting its charms nationwide and implementing projects to reinstate educational travel there.

The government has secured financial resources needed for reconstruction projects over the ten-year reconstruction period, amounting to around 32 trillion yen⁵. The government will continue to proceed with reconstruction steadily with this budget through appropriate management of the scale of the projects each fiscal year and their efficient and proper implementation.

(2) Post-nuclear disaster reconstruction and revitalization of Fukushima

The government will steadily implement measures for the reconstruction and revitalization of the areas affected by the nuclear disaster based on the Act on Special Measures for the Reconstruction and Revitalization of Fukushima⁶, etc.

Toward decommissioning and contaminated water management, and decommissioning in the mid- and long-term as a preconditions for the reconstruction and revitalization, the government plays a leading role in safely and steadily taking necessary measures based on the mid- and long-term roadmap by steadily promoting research and development, cultivating human resources, and gathering knowledge and ideas from around the world. The government makes concerted efforts to accelerate the establishment of and transportation to the Interim Storage Facility, the disposal of radioactive contaminated waste, and volume reduction and recycling of removed soil.

To accelerate the reconstruction and revitalization of Fukushima, the government will further improve living conditions in the prefecture, such as in education, medical and nursing care, and shopping and facilitate the residents' return and migration. In the Hamadori area, relevant ministries and agencies cooperate in further materializing the "Fukushima Innovation Coast Scheme" aimed at a self-reliant and sustainable economic reconstruction of the area. The government will use hydrogen produced in Fukushima from renewable energy for the 2020 Tokyo Olympics and Paralympics. The government will also proceed with the revival of industries and livelihoods through comprehensive assistance to disaster-affected business operators in recovering their own business, restarting farming, and clearing up negative reputation impact about agricultural, forestry,

⁵ "Scale and Financial Resources for Reconstruction Period in Five years from FY 2016" (Cabinet decision on June 30, 2015)

⁶ Act on Special Measures for the Reconstruction and Revitalization of Fukushima(Law No.25 of 2012) and "Basic Guidelines for the Reconstruction and Revitalization of Fukushima"(Cabinet decision on June 30, 2017).

and fisheries products in the process from production to distribution and sales, with the joint public-private Fukushima Soma-Futaba Reconstruction Team. To deal with the negative reputation impact which lacks scientific grounds and unfounded prejudice and discrimination, the government will effectively publicize correct information on radiation, etc. at home and abroad based on “The Strategy for the Enhancement of the Elimination of Negative Reputation Impact and Risk Communication.” Also, the government will appropriately deal with the issues arising from the nuclear disasters in other places outside Fukushima Prefecture.

The government is resolved to taking responsibility for the reconstruction and revitalization of the difficult-to-return-to 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 proceed decontamination and develop infrastructures for the purpose of achieving the target timing for lifting evacuation orders that is set in the approved plan of each town and village in the Specified Reconstruction and Revitalization Bases.

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

2) Reconstruction from recent natural disasters, acceleration of prevention and reduction of disasters and national resilience

In the areas affected by the Kumamoto Earthquake⁷ in 2016, restoration of infrastructure and reconstruction and the revival of local industries are progressing steadily. The government will continue to provide tailor-made support, through remaining deeply connected to the pain of each victim by working to secure public housing for a speedy rebuilding of the lives of the affected people living in the temporary housing, etc. and proceeding with town development, restoration of roads, railroads, and Kumamoto Castle.

We have experienced successive natural disasters throughout Japan in 2018, including the Heavy Rain of July 2018, Typhoon Jebi (Typhoon No.21), and the Hokkaido Eastern Iburi Earthquake. The government will continue to address the reconstruction of livelihoods of the affected people by assisting them rebuilding homes, and giving monitoring services to prevent isolation, restoration works of rivers and roads and reconstruction of regional industries including agriculture, forestry and fishery and tourism. The government makes its best efforts for recovery and reconstruction from these natural disasters, in deep sympathy with each of the affected people so that they can restore safe and secure lives

⁷ The earthquakes occurred on April 14 and 16 in 2016, and other subsequent earthquakes in and around Kumamoto Prefecture.

as soon as possible.

In order to proceed with the building of a disaster-resilient, flexible nation by learning from the natural disasters in recent years, the government will implement the “Three-Year Emergency Measures for Prevention and Reduction of Disasters and National Resilience,”⁸ and accelerate the efforts of prevention and reduction of disasters and national resilience.

⁸ “Three-Year Emergency Measures for Prevention and Reduction of Disasters and National Land Resilience”(Cabinet Decision on December 14, 2018) .

Chapter 2 Establish a System Suitable for the Age of “Society 5.0”

1. “Action Plan of the Growth Strategy” and other measures to boost growth potential

1) Realization of “Society 5.0”

(1) Improvement of rules for the digital market

(i) Established an expert organization for assessing competitive conditions in the digital market in the Cabinet Secretariat

Building a framework for global data distribution requires construction of a powerful and clear framework for data collection, storage, management, and distribution in Japan. Detailed issues run across many ministries and agencies, including R&D on data security, development of shared, general-use data formats, promotion of data cleansing, ensuring privacy and security for data distribution, promotion of a Society 5.0 cybersecurity framework, strategic management from the standpoint of strengthening industrial competitiveness based on data types and structure ranging from sensitive technology to general technology information, and formulation of data portability and API disclosure policies.

The government hence plans to create an expert organization on domestic and overseas data and digital markets (Digital Market Competition Headquarters (provisional)) comprised of experts with diverse and high-level knowledge across ministries and agencies. This organization will be given authority to promote innovation through responses to a variety of issues related to above-mentioned data usage, including data portability and API disclosure, authority to obtain survey results and other reports based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (the Antimonopoly Act) and other related laws and regulations from the standpoint of defining and assessing the digital market where global digital platform companies compete and promoting competition and innovation, and authority, authority to plan and handle overall coordination of fundamental policies on the digital market, authority to cooperate and collaborate with competition authorities of other countries.

The Digital Market Competition Headquarters (provisional) will build a strategic framework for a data-driven society through close collaboration with the IT Strategic Headquarters, the Cybersecurity Strategic Headquarters, and various ministries and agencies.

(ii) Improvement of rules to ensure transparency and fairness in transactions between digital platform companies and users

(Mergers and acquisitions)

Data monopoly in the digital market poses a threat of hindering competition even if a company's sales only hold a small share of the market. Some observers have noted that anti-trust authorities are not giving sufficient consideration partly due to their limited knowledge of the digital market. Japan therefore needs to prepare guidelines and/or legislation to conduct reviews of business combinations that include assessment of data value. Attention will be given to avoid interfering with innovations in this process.

(Transparency and fairness of transaction practices, etc.)

Digital platform companies dramatically improve potential access to global and other markets for SMEs, venture companies, and freelancers (Gig Economy). However, transactions between digital platform companies and users also face potential problems, such as (a) one-sided application of contract terms and rules, (b) service additions and excess cost burden, and (c) excessive restrictions on access to data.

The government hence needs to improve legislation and guidelines to ensure transparency and fairness of transaction practices and other unique relationships formed in the digital market and aims to submit a bill to the National Diet's 2020 Ordinary Session (the Act on Improving Transparency of Digital Platformer Transactions (provisional)).

Meanwhile, consideration will be given in improving rules to use of rules that respect autonomy with a "comply or explain" approach initially for the purpose of avoiding interference with digital innovation for the Fourth Industrial Revolution.

Specific consideration items will be clarification and disclosure of contract terms and transaction rejection reasons, clarification of rankings (order of presentation for product search results), disclosure in cases of digital platform companies giving preference to their own products and services, disclosure of requests for most-favored-treatment clauses (such as clauses requesting the best terms among business partners), and an obligation to arrange a complaint processing system.

(iii) Toward 5G development and realization of a G-Spatial Society

As part of efforts for realizing Society 5.0, 5G service launches in all prefectures by the end of fiscal 2020 and the government intends to provide necessary assistance for nationwide deployment of 5G base stations, optical fiber, and other information and communications infrastructure by telecom carriers and others, while also ensuring security, and accelerate the 5G development plan by fiscal 2024. At that time, in order to

realize regional revitalization, pioneering local public organizations that have specific efforts to solve their own regional issues will be given priority for support.

Furthermore, the government plans to promote social deployment of advanced technologies using geospatial information with a goal of realizing a society with advanced utilization of geospatial information (G-Spatial Society).

(2) Fintech/Finance

The government intends to revise the existing legal framework for financial and commercial transactions divided by business categories and to pursue realization of a function-based, cross-segment framework that applied the same rules to the same functions and risks. It hopes to promote entry by newcomers, innovations through competition among various services, and competition related to financial service quality.

(Payments)

The government plans to adopt a cross-segment framework in the payments field that has been cited as an area in which the vertical structure by business segment under current laws interferes with free selection of business models and services by service providers. This initiative aims to realize flexible, highly convenient cashless payment methods, besides existing bank fund transfers and conventional relatively high-sum credit card payments, through market entry by newcomers and competition among various services by ①allowing seamless payments that combine prepaid and postpaid formats⁹ and ② creating a new fund transfer type positioned between banks and existing fund transfer firms and thereby facilitating a wide range of fund transfers¹⁰ other than just bank fund transfers. In this process, the government also intends to introduce frameworks that enable smooth business deployment by fintech companies and other payment service firms, such as utilization of performance provisions in credit reviews under the Installment Sales Act. It plans to submit necessary bills for these changes to the National Diet's 2020 Ordinary Session.

(Cross-segment legal framework)

The government intends to review measures for realization of a cross-segment financial services brokering legal framework that allows provision across segments of services for

9 Seamless payments combining prepaid and postpone formats:

Facilitate provision of seamless payment service using prepaid, postpaid, and other formats through adoption of a different system for small-sum, low-risk payments than the existing one for relatively high-sum payments.

10 Non-bank fund transfers with a wide value range:

In addition to existing fund transfer business that handles fund transfers up to one million yen, create a new type of fund transfer positioned between banks and existing fund transfer business and formulate a system that enables the transfer of funds exceeding one million yen with simpler regulations than applied to banks.

various functions, such as payments, fund provision, asset management, and risk transfer. It hopes that this initiative will enable provision of a highly convenient one-stop channel that meeting the needs of individual users utilizing smartphones and other devices, simplify selection of financial services that meet personal needs by users, and encourage competition for financial service quality. The government aim to prepare its fundamental approach for this initiative during 2019.

(3) Mobility

(i) Paid passenger transportation service with personal-use vehicles

(Creation of a system for paid passenger transportation in personal-use vehicles jointly with transportation businesses)

Collaboration in which municipalities consign operational management to transportation businesses (taxi businesses, etc.) is a potential way to secure transportation services for regional life.

Local public entities benefit from diminished burden through utilization of transportation business knowhow, and users gain access to safe and reliable transportation service.

To accomplish this, transportation businesses (taxi businesses, etc.) need to cooperate with paid passenger transportation in personal-use vehicles utilizing their own knowhow. Specifically, the government needs to prepare a legal framework for consignments to transportation businesses and participating by transportation businesses in implementing entities. A system premised on participation by businesses is likely to simplify the consensus- building process in the local area. This approach should promote provision of safe and reliable transportation service and lighten burden on implementing entities. The government intends to submit the necessary bill to the National Diet's 2020 Ordinary Session.

(Clarification of transportation scope to support tourism needs)

Recruitment of inbound activity is a key perspective that has become vital to regional stimulation. Paid passenger transportation in personal-use vehicles must address tourism needs too. To ensure support for tourists, similar to buses and taxis, the law must clarify scope as not just local residents, but also visitors.

(Clarification of transportation blank zones)

At this point, multiple views exist about regions that should be covered by paid passenger transportation in personal-use vehicles. The government hence needs to clarify its stance that serves as the basis for review of system adoption by local public entities. It intends

to survey and analyze existing implementations, present an image, and formulate guidelines for the decision framework in order to simplify local consensus formation in light of actual life situations.

(Promotion of broad regional initiatives)

The government needs to simplify procedures for cases of adopting paid passenger transportation in personal-use vehicles in regional public transportation network formation plans (prepared autonomously or jointly by prefectures and municipalities based on the Act on Revitalization and Rehabilitation of Local Public Transportation Systems).

(ii) Adoption of taxi ride-sharing service

Given the inefficiency of paying subsidies for operation of large buses in isolated regions, it is necessary to optimize mobility service that fits actual transportation demand.

Additionally, in an era of IT advances, consideration should be given to digital transformation of the business model with passenger matching using an app, selection of ideal routes that reflect real-time vehicle requests, and adoption of cashless payment service.

Implementation of ride sharing in taxis offers usage at a lower fee for customers and improves the productivity of taxi businesses. Taxi ride-sharing service should be generally adopted without restrictions on regions and conditions because it provides access to cheap mobility to as many people as possible with limited transportation entities. The government plans to prepare the environment with a Road Transportation Act notice and other adjustments¹¹.

(iii) Drone flights beyond line of sight in populated areas

The government plans to prepare a detailed roadmap, including a decision on fundamental policy for system design during the current fiscal year, for realization of drone flights beyond the line of sight in populated areas premised on safe flight routes (excluding zones with flight prohibitions) by fiscal 2022.

(4) Corporate governance

The government intends to formulate rules on governance at listed subsidiaries, requiring

¹¹ Provision of an ease-to-use environment with app-based matching, split charges based on distance traveled (on-demand route selection; confirmed ahead of time), and cashless payment.

parent companies to explain the significance of having listed subsidiaries in reorganization of business portfolios and clarifying an appropriate governance format to boost utilization at listed subsidiaries.

(i) Practical guidelines

The government plans to newly formulate “practical guidelines on the group governance system” that present a listed-subsiary governance format and encourage compliance by companies.

(ii) TSE action.

The Tokyo Stock Exchange should take additional measures to enhance the independence of listed subsidiaries from the controlling shareholder, such as revising its autonomy standards in accordance with the direction of the guidelines in order to raise the efficacy of “practical guidelines on the group governance system.”

(5) Smart public services

(i) Building a new infrastructure for national life and economic policies utilizing the My Number card

The government aims to build a cashless payment platform for joint use by administrative services and private-sector services and enhance cloud services utilizing the individual authentication function of My Number cards from the standpoint of expanding use of My Number cards, while rigorously protecting personal information, as a national platform for Society 5.0.

Specifically, public- and private-sectors utilize the My key platform and local government point management cloud which store user ID through strict personal authentication. Making full use of private-sector dynamism, enabling residents purchase Jichitai Point with cashless payments. And government considers to exchanges Jichitai Point with private-sector points in the future. This initiative will allow residents to use Jichitai Point to pay local mobility service, shopping assistance, care support, and other services and facilitate policies that contribute to stimulation of local shopping districts.

Furthermore, the government will consider with related ministries and local governments about providing various allowance, such as child allowance provided by the national and local government, with points instead of cash. And it aims to achieve effective policy execution by enabling careful responses that truly address citizen needs, prevent fraudulent receipt, and lowering administrative costs through this initiative.

The government prepares to issue Jichitai Point using the My Number card for the consumption leveling at the time of consumption tax hike. Furthermore, based on the above, it considers specific measures, such as formation of a task force consisting of public- and private-sector members, with the aim of establishing a platform as a national system with future expandability and compatibility.

Additionally, the government is targeting full-fledged usage of My Number card as a health insurance card in March 2021 with the aim of boosting efficiency of medical insurance administration and enhancing patient convenience through definite confirmation of personal identity and insurance qualifications when giving treatment. It plans to provide sufficient assistance for promptly deployment of terminals and systems at medical entities with a goal of coverage at almost all medical entities to ensure the quickest and smoothest response possible at medical entities nationwide. It also intends to formulate specific My Number card acquisition promotion measures by insurance recipients for the respective insurance providers and promote acquisition of My Number card by national and local government officials during the current fiscal year.

From the point of view of realizing a digital society that is safe, reliable, and highly convenient, The government envisions almost all residents having My Number cards during fiscal 2022 and plans to strongly promote My Number cards by accelerating formulation of My Number card facilitation plans at each local government, periodic follow-up and giving necessary assistance. The government will promote of improvement of convenience and utilization of My Number card. And also it aims to utilize My Number¹² to realize fair social security and enhance administrative convenience and efficiency.

(ii) Automation of individual and corporate procedures

The service that can apply child care procedures including vaccinations and child allowance from pregnancy to starting schools with one button will start at some local governments from next fiscal year and aim for nationwide development from 2023. It will begin one-time acquisition of necessary documents and automated input and attachment to various reports for year-end adjustment procedures of tax return via data linkage using Mynaportal from fiscal 2020.

¹² “Policy on the widespread use of the My Number cards and promotion of the use of My Number card” (Decision at Digital Government Ministerial Meeting on June 4, 2019)

2) Reforms to Social Security System for All Generations

(1) Securing employment opportunities up to the age of 70

(Diverse options)

In ushering in the era of the 100-year life, it is necessary to develop places for seniors with a desire to work to play an active role so that they can fully contribute their skills.

To secure hiring and employment opportunities for seniors, the possible options for seniors to play an active role based on their own characteristics need to be expanded, unlike the situation up to the age of 65, while securing employment opportunities up to the age of 70.

Therefore, to secure employment opportunities from 65 to 70 years of age, diverse options will be set out in legislation and consideration will be given to a framework where companies determine which options to offer based on discussions between labor and management. Consideration will also be given to a framework where companies will consult with individuals about which option to use and then make this option available.

The options for legislation include the following:

- (a) Eliminate mandatory retirement age
- (b) Extend mandatory retirement age to 70
- (c) Introduce continuous employment system (including continuous employment at a subsidiary or affiliate, similar to the current system up to the age of 65)
- (d) Re-employment at another company other than a subsidiary or affiliate
- (e) Provide funding for freelance contracts with individuals
- (f) Support start-ups by individuals; and
- (g) Provide funding for participation in social contribution activities by individuals

Companies will determine which of the options (a) to (g) to adopt based on discussions between labor and management. In detailed reviews of each option, careful consideration will be given to the extent of company responsibilities in these options and the detailed approaches to company involvement.

(Stage 1 Legislation)

Legislation will be developed in two stages to smoothly move ahead with securing employment opportunities up to the age of 70, with stage one legislation developed first.

In stage one legislation, options such as (a) to (g) above will be specified and provisions will require efforts to secure employment opportunities up to age 70. In addition, when deemed necessary, the Minister of Health, Labour and Welfare will require labor and management of individual companies to formulate a plan and to ensure that the company follows through on the formulation of this plan.

(Stage 2 Legislation)

Based on progress of stage one, in stage two amendments to laws will be considered to secure compliance (requirement) by announcing names of individual companies not in compliance as with current laws. As with previous legislative precedents, consideration will be given to establishing exclusion provisions in cases agreed upon by labor and management, such as a worker's poor health or poor attendance record, etc.

(Submission Timing and points to consider)

To avoid confusion, amendments to current legislation up to the age of 65 (currently 63; completion of enforcement in 2025) will not be considered.

Procedurally, after deliberations by the Labor Policy Council, the bill for stage one legislation will be submitted to the ordinary session of the Diet in 2020.

(Relationship with pension system)

The pensionable age, which is currently 65 years of age, will not be raised, as a result of securing employment opportunities up to age 70. Meanwhile, the timing for when a person can start to draw old-age pension benefits, which currently is between the ages of 60 and 70, will be expanded after the age of 70. In addition, the old-age pension system for current workers will be reviewed after discussions by the Social Security Council, leaving open the possibility the system could be eliminated in the future, from the perspective of not inhibiting people's desire to work and with fairness in mind.

Through these efforts, all barriers to work will be removed and the transition will be made to a framework that does not affect people's desire to work.

(2) Promotion of mid-career hiring and experienced personnel hiring

Considering the era of the 100-year life, it is important to move ahead with hiring system reforms so that workers with a desire to work can fully contribute their skills. In particular, a necessary review of the hiring system of large companies traditionally focused on the bulk hiring of new graduates must be conducted, and at the same time, mid-career and experienced personnel hiring must be expanded by adopting year-round hiring. For this

reason, companies must review their own hiring system as well as evaluation and compensation systems. The government will respond in such ways as requiring large companies to disclose information about their ratio of mid-career and experienced personnel hiring.

(3) Prevention of disease and nursing care

Health is the foundation for people's sense of security in the era of the 100-year life. Reforms must be pursued with regard to medical care and nursing care to build a social security system for all generations.

Prevention and health promotion are significant in many dimensions. This includes: ① improving quality of life and alleviating future concerns by improving health; ② extending healthy life expectancy and increasing people working in good health, and increasing the bearers of social security; and ③ seniors support important community infrastructure, preventing the growing divide of health disparities. In addition, better living habits, early prevention, and prevention of nursing care and dementia are expected to prove effective toward alleviating medical care demand related to lifestyle disease and growing demand for nursing care. As a result, in certain ways this can lead to the sustainability of the social security system.

(i) Promotion of disease prevention

The role of community and company insurers in disease prevention is important. As such, efforts will be made to increase preventive healthcare incentives for insurers.

(Support system for efforts by insurers¹³ [NHI])

Increasing preventive healthcare incentives for insurers is needed for horizontally rolling out the progressive models of local governments. To boost consideration for disease prevention in the public insurance system, fundamental improvements will be made to the support system for efforts by insurers. At the same time, initiatives contributing to disease prevention will be evaluated, and the variety of allocation standards will be increased using such forms as (a) increasing the point allotment ratio for incentives granted to individuals and prevention of severity of lifestyle diseases and for boosting the uptake rate of dental checkups and cancer screenings; and (b) increasing the point allotment ratio based on results of prevention and health promotion to encourage introduction of excellent private-sector services.

¹³ The support system for efforts by insurers involves evaluations of the initiatives of insurers (prefectures and municipalities) towards prevention and health promotion and the granting of subsidies to insurers.

(Late-stage senior support funds adjustment system¹⁴ [Company Health Insurance Associations])

The range of adjustment in the late-stage senior support funds will be increased from 0.23% in FY2017 to a maximum of 10% on both sides in FY2020, which will increase preventive healthcare incentives for insurers (company health insurance associations).

(ii) Promotion of nursing care prevention

Insurers (municipalities) and the prefecture of the municipality play an important role in nursing care prevention, too. As such, preventive healthcare incentives will be increased for insurers and prefectures.

(Nursing care incentive subsidy¹⁵ [subsidy for promoting increased functions of insurers])

Increasing incentives of insurers and prefectures is needed to horizontally roll out the nursing care prevention models of progressive local governments. As such, fundamental improvements in the nursing care incentive subsidy will be made to increase consideration for nursing care prevention in the public insurance system. At the same time, initiatives contributing to nursing care prevention will be evaluated, and the variety of allocation standards for grant issuance will be increased based on: (a) for nursing care prevention, using private-sector services that make seniors more active mentally and physically through exercise, expanding and enhancing community gathering places where seniors in the community can gather and interact, and using points; and (b) for promotion of senior work and involvement, granting points to volunteers and nursing care helpers, and the number of participants as senior nursing care helpers.

(iii) Promotion of evidence-based policy

When implementing the reforms in ① and ② above, it will be important to reflect evidence-based evaluations in initiatives. Therefore, verification programs will be implemented to confirm and build evidence to confirm the effects of health improvement from prevention and health promotion using data.

14 The late-stage senior support funds adjustment system involves evaluations of prevention and health promotion initiatives of company health insurance associations for the late-stage senior support funds borne and contributed by the medical care insurance of workers, such as company health insurance associations, to the late-stage senior medical care system, and the provision of an addition (penalty) or subtraction (incentive) of contributions.

15 The nursing care incentive subsidy involves evaluation of initiatives toward nursing care prevention of insurers or prefectures, and the granting of subsidies to insurers or prefectures.

3) Reinforcement of regional measures under population decline

(1) Maintenance of community infrastructure and competition policy

(i) Bus services (and local public transportation competing with bus services)

As a typical example, in the center of towns, routes with excessive frequency are being operated by multiple bus service operators and local public transportation competing with these bus service operators.

By allowing joint management between these operators, the number of services on these high frequency routes can be rationalized, while adjustments using the revenue can be used to maintain a network of bus services including low demand areas. This will ensure convenience for all residents across a broad area and in the process secure the interest of general consumers, which is the ultimate goal of competition policy. For bus services, traditionally a council has been set up under the Act on Revitalization and Rehabilitation of Local Public Transportation Systems, followed by the formulation and implementation of a local public transportation network formation plan. However, even under such councils, detailed discussions among operators about fares, pricing, operation frequency and routes were viewed as a possible breach of the Anti-Monopoly Act and this has been pointed out as an obstacle to plan formulation and implementation. Therefore, based on the framework of such councils, there is a need to exempt joint management involving the routes, service intervals, and fares of bus service operators from the Anti-Monopoly Act and develop a clear framework for operators and communities.¹⁶

In such cases, a requirement will be the establishment of a council based on the Act on Revitalization and Rehabilitation of Local Public Transportation Systems for communities where it is possible to ensure core service provision as a network by carrying out coordinated initiatives among operators.

On top of this, multiple operators will determine the area to be served, the plan for maintaining and improving convenience for the entire community, and the goal of services to be ensured. Thus, a framework will be developed, which ensures convenience for local residents based on a variety of situation in the regions.

The areas covered in the plan will not only be areas where rationalization of services will be undertaken among operators, but also areas in the entire network including unprofitable routes in mountainous regions whose operation is secured as a result. The

¹⁶ Specifically, there is a need to: (a) permit joint management of bus operators such as fare pool to maintain a network of bus services including low demand areas; (b) therefore, maintaining a network of bus services including low demand areas will be a condition of approval of joint management, and if this condition is not satisfied after the approval, the approval of joint management can be rescinded; and (c) ensure the predictability of these rules for relevant operators.

approval requirements of joint management will be viewed from within the entire network area, including unprofitable routes in the vicinity, and if joint management will not be undertaken because of unprofitability, this will be deemed a situation where service provision in the vicinity is predicted to be difficult.

(ii) Local banks

Local banks play an important role in the community. Their services need to be maintained in an appropriate manner even in regions with a declining population.

If the downturn in business performance of local banks persists, the negative effects, such as reduced lending, will extend broadly to depositors and borrowers. In local finance, financial institutions establish relationships of trust with borrowers and use this relationship as a basis for determining credit and supporting management. Therefore, there are concerns that financial institutions will no longer be able to provide sufficient financial intermediation functions.

Banks experiencing a downturn in business performance need to make operational improvements. For this reason, special exemptions for management integration will be permitted, even if the resulting market share is high, but limited to situations where this condition persists and affects smooth financial intermediation in the local community, in order to facilitate operational improvements at an early stage¹⁷.

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- (a) Financial institutions pursuing management integration will submit an application to the Financial Services Agency for exemption from the Anti-Monopoly Act pursuant to the law on special measures. When an application is submitted, the Financial Services Agency will check whether the following requirements under the law on special measures apply. Discussions will be held by the Japan Fair Trade Commission about the applicability of these requirements (if no application is submitted, merger reviews will be carried out pursuant to the Anti-Monopoly Act).
- (b) Screenings will be carried out mainly by the Financial Services Agency for i) to iv) below and by the Japan Fair Trade Commission for v). Only when each requirement is fulfilled will an exemption be granted.
 - i) A local community that is expected to see a sustained decline in demand for loans and fee-based businesses for SME, and as a result, local banks could find it difficult to provide these businesses to the local community in a sustained manner in the future.
 - ii) The applicant bank is unable to continuously cover expenses to sustain the network of the business from the revenue generated from the business.
 - iii) Management integration is acknowledged to considerably improve business and maintain functions.
 - iv) Capacity arising as a result of iii) above is expected to contribute to the local economy.
 - v) Management integration will benefit the interests of users (general consumers) (even if competition is reduced).
- (c) If the requirements i) to iv) will be satisfied, the Financial Services Agency will consult with the Japan Fair Trade Commission and the Financial Services Agency will respect the opinion of the Japan Fair Trade Commission including applicability of requirement v).
- (d) After approval, when conformity with the requirements of i) to v) is no longer acknowledged, the Financial Services Agency will order the local bank to take corrective actions. In addition, the Japan Fair Trade Commission can require the Financial Services Agency to take measures.

(iii) Limitation of scope of law on special measures

The scope of the law on special measures must be restricted to fields where management integration or joint management is expected to offer the greatest effect toward improving business by firms providing core services in the community and where competent government agencies can monitor and supervise actions taken after management integration or joint management. For the time being, the law will be limited to the above two fields. the law will be in effect for a period of 10 years.

Additionally, the bill for the law on special measures will be submitted to the ordinary session of the Diet in 2020.

(2) Supplying human resources to regions

To increase productivity across Japan, more flexible options must be available for occupations nationwide both regionally and by industry.

In particular, in regions facing decline, securing professional and management resources to raise the level of company management locally bears great significance. Meanwhile, as we have entered the era of the 100-year life, there will be a growing trend requiring places for occupation changes or freelancing and side businesses and places for retirees to play an active role post mandatory retirement. These two needs mutually complement one another and strategically matching them represents one critical task for promoting the active role of human resources and increasing productivity in the future.

Often, however, SMEs and micro businesses in regions have yet to clarify what type of human resources they lack and what functions human resources should fulfill. This indicates that currently they cannot provide proper job offers and do not provide appropriate compensation to talent they acquire.

As a result, the labor market in regions is immature. This is why employee placement businesses are reluctant to expand in regions and the inflow of human resources there is limited.

Considering the current situation, efforts will be focused and concentrated on the following: ① reinforce functions for supporting local companies to clarify their management strategy and human resource requirements (promote involvement of local financial institutions, etc.); ② fundamentally improve matching functions with human resources in major urban centers; and ③ build a framework for promoting the supply of human resources from major urban centers to regions and immediately speed up the flow of professional and management human resources from major urban centers to regions.

2. Human resource development, work-style reform, promotion of measures to increase household income

In order to improve the quality of individual human resources and construct a society in which everyone finds fulfillment in life and exert his/her abilities to the fullest toward the era of “100-year lifespans,” the government will promote “human resource development” and “work-style reform.” Also, to meet the needs of the Society 5.0, the government will reform the existing education system and change it into a mechanism that allows diversity such as shifting of the conventional unified system to a multi-track system. Concurrently, in order to continue and expand the virtuous cycle of growth and distribution, the government works toward constructing a mechanism that enhances opportunities in participating in society, ensuring stable employment for the “employment ice-age” generation and realize the increase in the minimum wage.

1) Promotion of human resource development in accordance with decreasing birthrate and aging of the population

(1) Free early childhood education and nurseries

From October 2019, the government will provide free early childhood education at kindergartens, nurseries and centers for early childhood education and care, for all the children between the age of 3 and 5 without income restrictions. In addition, for other childcare services than kindergartens, nurseries and centers for early childhood education and care, education will be free for children whose needs for childcare are recognized¹⁸. For children under the age of 2, the government works toward implementing an effort to make the childcare service free of charge for the households with exemptions from municipal residence tax in conjunction with an effort to eliminate waiting lists for childcare. Also, as for development support for preschool children with disabilities, the government will take steps to make the service free.

Based on the “Plan for Raising Children with Peace of Mind” that can eliminate the issue of waiting lists for childcare and respond to female labor force participation rate of 80%,

¹⁸ The policy of free fees measure at unlicensed childcare institutions is an alternative measure for children who cannot attend a licensed nursery owing to the waiting lists problem and have no choice but to attend an unlicensed nursery. In principle, the unlicensed childcare institutions need to notify the prefectural government and meet the criteria set out in the supervisory guidelines. However, in order for those unlicensed childcare institutions not meeting the criteria in the supervisory guidelines to meet the criteria, the five-year grace period has been established. Moreover, in view of the fact that the situation of children on waiting list varies greatly depending on the regions, there is a mechanism that allows municipalities to define the scope of the target facilities under the Ordinance so that the relevant municipality can flexibly operate according to the circumstances of the region. As for the facilities supported by the local government that are not covered by the free preschool education measure, the government will be conducting fact-finding survey and will examine the role of central and local governments in terms of childcare support.

the government will steadily take steps to create a system to secure childcare arrangement.

The government will secure and improve the quality of early childhood education and care. It will accelerate the transition from non-licensed childcare institutions to licensed institutions. With regard to the company-led childcare business, the government will work toward smooth implementation of the business, while reaffirming the significance of contribution of the business to the elimination of waiting lists for childcare and response to diverse work styles, and ensuring and improving the quality of childcare and reviewing the method of assessment, guidance and auditing and collaboration with local governments from the viewpoint of ensuring children's safety first.

(2) Reform of primary and secondary education, etc.

The government will work toward constructing a mechanism that converts the education system into a multiple-track type based on the acquisition of the basics and fundamentals that can pursue diversity. In primary/secondary education, to effectively and efficiently realize the individually optimized education for pupils and students, the government will promote informatization of education such as presenting the utilization model of SINET¹⁹ to enable all the elementary, junior and senior high schools to offer remote education if they wish. In view of disparities in the level of ICT infrastructure in schools between local governments, the government will strive to correct the disparities and advance the digitalization and standardization of the educational data after due consideration on the handling of personal information. Moreover, in the high school education, the government will work to construct diverse educational frameworks such as general course reforms including diversification and categorization²⁰ of the courses in order to promote characteristic education, collaboration between high schools and universities, development of regional human resources and global human resources. Furthermore, the government will work to construct an educational system from the viewpoint of preventing students from leaving school before graduation and promote measures to offer seamless support to dropouts.

To accelerate the reform, based on “Third Basic Plan for the Promotion of Education²¹” and recommendations by the “Education Rebuilding Implementation Council²²”, the government will comprehensively consider the educational curricula, teacher training,

¹⁹ The world's fastest class ultra-high speed communication infrastructure linking the national, public and private universities and public research institutions operated by the National Institute of Informatics.

²⁰ The specialized courses are categorized into agriculture course, industrial course, commercial course, etc. and considering that distinctive education is given in each course in accordance with the respective educational goals, the government will promote the distinctive education in the high school general course by encouraging the adoption of such classification in the general course which accounts for approximately 70% of the total high school students.

²¹ “Third Basic Plan for Promoting Education” (Cabinet decision on June 15, 2018).

²² “Concerning educational reforms in responding to the progress of technology, high school reforms in responding to the new age (The 11th recommendation)” (Education Rebuilding Implementation Council on May 17, 2019).

licensing of teachers , recruitment, in-service training systems, etc. and reach the conclusions during FY2020.

In order to realize the work-style reform of schools, the government will promote measures such as thorough appropriate working hour management, streamlining and selectivity of tasks, and promote efforts such as effective reinforcement and enhancement of guidance and administration framework in schools, realization of a Team Gakkou(school as a team), introduction an one-year variable working hours system of teachers²³.

The government will work to steadily realize education according to the goals of the new National Curriculum Standard, promote efficient development of safe and secure school facilities, and enhance the educational function in the overseas educational facilities. The government will implement cooperation and collaboration between schools, homes, and community and cooperation and work on ensuring school safety in reference to the philosophy of safety promotion²⁴, enrichment of students' experiential activities such as agricultural, mountain and fishing village experiences, establishment of the consultation system tackling bullying and suicides, etc. utilizing SNS, etc., securing of educational opportunities for non-attendant pupils and students, education for foreign children and pupils, promotion of establishing evening classes at public junior high schools, review of students' job seeking practice of one student for one company²⁵, promotion of the special needs education and promotion of the learning activities for persons with disabilities throughout their lifetime.

(3) Making tuition fees of private high schools substantively free

From April 2020, the government will make tuition fees of private high schools substantively free for households with annual income of less than 5.9 million yen by securing stable financial resources²⁶ and raising the maximum amount of supply of the High School Tuition Support Fund.

²³ Based on “comprehensiveComprehensive Measures regarding for Work Style Reform of Schools: Aiming to build a Sustainable System of School Guidance and School Management for Education in a New Era (report)” (Central Council for Education on January 25, 2019)

²⁴ Philosophy where schools take scientific and demonstrative safety measures in collaboration with relevant organizations.

²⁵ A job-seeking practice for high-school graduating students where a student can apply for a job at only one company and unless the student cannot receive an informal job offer from the company, he or she cannot apply for a job at another company.

²⁶ Based on “New Economic Policy Package” (Cabinet decision on December 8, 2017).

(4) Free tertiary education

In order to smoothly implement free tertiary education from April 2020²⁷, the government will steadily publicize the new system, implement the reservation-based scholarship²⁸, grasp and examine the results and state of implementation of the new system with a focus on the situation of the students subject to receiving tuition support toward independence and success. The government will work to enhance the functions of the Independent Administrative Institution Japan Student Services Organization to review the necessary works²⁹ to realize this. In addition to the above-mentioned implementation of the new system, the government will closely observe and consider measures for university reform and education/research quality improvement, and equal opportunities to accessing the Universities, etc. for the middle-income class.

(5) University reform

In university education, the government will strengthen initiatives toward capacity-building sought in Society 5.0 such as ability to identify and solve problems, ability to conceptualize and design future society, logically thinking ability and normative judgment ability while promoting industry-academia collaboration. For this purpose, the government will work to improve quality of university education by taking measures including realization of educational programs that can respond to the actual needs of society by appointing practitioners as lecturers, promotion of initiatives of individual universities through preparation/utilization of the guidelines on education and learning.

In order to develop human resources for science technology and innovation, based on the “AI Strategy 2019”³⁰, the government will work to enrich STEAM³¹ education by fundamentally enriching mathematics, data science, and AI education. The government will work to provide human resources development support measures such as prioritized support to young researchers.

In universities and graduate schools, the government will promote interdisciplinary liberal arts education that integrates arts and science and development of high-skilled human resources including doctors who can respond to the needs of society. The government will proceed with sophistication of the functions of the colleges of

²⁷ Establishment of the Tuition Fee Reduction or Exemption System for the students of universities, junior colleges, technical colleges, professional training colleges of households with exemption from municipal residence tax and equivalent households and enhancement of provision of grant-type scholarships.

²⁸ A system in which the Independent Administrative Institution Japan Student Services Organization, upon receiving an application for scholarship from a student, notifies the applicant student of the selection results before the student enters the university.

²⁹ They include reduction of overdue credits, response to receivable financial resources, consideration on the warranty system from the standpoint of ensuring soundness of finances for the future.

³⁰ “AI Strategy 2019”(Integrated Innovation Strategy Promotion Council Decision on June 11, 2019)

³¹ Science, Technology, Engineering, Art and Mathematics

technology and practical vocational education by industry-academia collaboration in professional and vocational universities and professional training colleges. By institutionalizing the degree programs across organizational boundaries such as departments and graduate courses, the government will promote new education program that combines breadth with depth. The government will also work to globalize universities and colleges of technology.

The government will proceed with collaboration/unification of universities by promoting utilization of the system that enables a single corporation to operate several universities for national universities, promoting smooth business transfer on a faculty basis and mergers for private universities, and by establishing the “University Collaboration Promotion Corporation (tentative name)” to enable collaboration among universities beyond the categories of national, public and private universities, etc.

(6) Recurrent education

The government will expand recurrent education at universities and specialized training colleges in response to the diverse needs of the working adults, women, the elderly people, etc. For this purpose, the government will strengthen collaboration/connection with industrial groups at universities/graduate schools and establish educational programs over wide-ranging fields including humanities and social science and expand relearning opportunities for the working adults and through the implementation of strategic public relations, the government will proceed with the utilization of the Training and Education Benefits that will be expanded from October 2019 and aim to double the number of recipients of the training and education benefits within three years. The government will promote practical recurrent education³² that supports lifelong career building in an integrated manner based on the wide-ranging needs of the working adults and the regions such as employment in a specific field of occupation so as to solve labor shortage in the regional areas and create a new flow of people from the urban areas to regional areas. In order to promote development of human resources sought by the society such as ICT human resources, the government will proceed with recurrent education utilizing e-learning and the like. In doing so, it will strengthen collaboration among the relevant ministries and agencies and make the most of the knowledge/know-how of private companies.

The government will develop the practical teachers who play core roles in recurrent education and proceed with the development of the professional human resources who can provide integrated career support for the students from the program coordination to

³² Practical recurrent education aimed at providing practical skills for learners seeking employment, job change and career enhancement.

successful employment based on the learning results.

The government will promote the utilization of Early Graduation, Long-term Study System and the Credit Accumulation System³³ for adult students, etc., so that they can flexibly choose a study period and contents. The government will consider measures aimed at allowing graduate schools to award degrees based on the accumulated credits earned from the university before entering the graduate school or other graduate schools and work to introduce flexibility into the degree acquisition system in universities and graduate schools.

(7) Measures to cope with decreasing birthrate, support for children and child-rearing

The government will continue to promote marriage support and in order for child-rearing to be supported by society as a whole, it will work on comprehensive development of the child-rearing environment through initiatives including reduction of commute time, promotion of telework, diversification of bearers of child raising at home and in the community. Through these initiatives, the government will aim to achieve a “desirable birth rate of 1.8.”

In order to improve the quality of support for children and child-rearing even further, the government will appropriately secure financial resources, including from sources other than the consumption tax. The government proceeds with the examination pertaining to the reform of the New Comprehensive Support System for Children and Child-rearing. Based on the “New Comprehensive After-school Plan,” the government will work to add the capacity of After-school Children’s Clubs equivalent to 300,000 students by the end of FY2023. Moreover, in light of growing number of dual-income households and growing need for diverse learning, the government will conduct fact-finding survey to grasp various expected roles of the after-school children’s clubs during 2019.

In order to break the cycle of poverty over generations, the government will prepare the general principles concerning the new measures against child poverty and promote collective efforts by the society to eliminate child poverty through the comprehensive support measures to single-parent households including securing of child support, learning support for children, enhancement of educational consultations provided by school counselors and others, and formation of regional networks and the like.

As measures for the prevention of child abuse, numerous efforts have been previously promoted, including, increasing in the number of child welfare officers, improving the

³³ It is a system in which a person can accumulate credits earned from several institutions of higher education at his/her will and if certain conditions are met, the National Institution for Academic Degrees and Quality Enhancement of Higher Education approves graduation eligibility and award degrees to the relevant person.

expertise and working conditions in the field of social work and others, enhancement of assignment support of doctors/attorneys, strengthening of structure of child consultation centers such as promoting assignment of former police officers, strengthening of support structure for families with children by municipalities, strengthening of collaboration among relevant organizations, strengthening of structure of schools/boards of education by school social workers and others, securing of foster-parents who take on temporary protective custody of children and environmental improvement of the temporary care centers and strengthening of the staff structure, promoting establishment of child consultation centers in core cities, promoting appropriate operation of a mechanism of judicial participation, development of tools using AI, enhancement of support to special adoption/child-care by foster parents, further promotion of scale-down and regional diversification of foster homes and the like including strengthening of reshuffling of staff personnel, enhancement and strengthening of social foster care of children under public-private multi-institutional/multi-occupational collaboration including strengthening of self-reliance support after leaving the foster home and the like. Based on the results of these efforts so far achieved, the government will promptly and strongly promote the comprehensive and drastic enhancement measures of the Child Abuse Prevention Measures³⁴.

The government will work on strengthening of support measures, such as support for infertility treatment, support for young pregnant women with anxieties due to unexpected pregnancy and other reasons, enhancement of postnatal care and work to improve the quality of treatment by increasing the number of medical institutions that are positively engaged in the treatment of expectant and nursing mothers while giving full considerations for alleviating the burdens on expectant and nursing mothers. Moreover, in order to promote the comprehensive advancement of measures to continually provide necessary child health and development, the government will proceed with the initiatives based on the Basic Law for Child and Maternal Health and Child Development³⁵.

(8) Promotion of active participation of women

The government will proceed with initiatives, for example, deepening of “visualization” of information on women’s participation, support for initiatives implemented by diverse entities in the community to promote women’s empowerment, fostering female leaders, elimination of all kinds of violence against women, development of system and foundations to support women’s empowerment, etc. while steadily implementing the

³⁴ Based on the “Drastic enhancement of the child abuse prevention measures” (decision by the Ministerial Council on the Child Abuse Prevention Measures on March 19, 2019).

³⁵ Act on Comprehensive Advancement of Measures to Continually Provide Necessary Child and Maternal Health and Development to Children in a Stage of Growth, their Guardians and Expectant and Nursing Mothers (Law No.104 of 2018).

“Intensive Policy to Accelerate the Empowerment of Women 2019”³⁶.

In view of the fact that many male workers still can't apply for childcare leave even though they want to, the government will examine the improvement of institutional framework to further encourage male employees to take childcare leave.

The government will further promote improving an environment to ensure women's employment and promotion in the workplace by working to prevent various types of harassment, consider the reform of a leave system such as expansion of hourly leave system to support balance between work and time constraint, and a whole-of-government approach is taken to promoting support measures for women facing living challenges, including, promotion of advanced initiatives such as establishing private shelters, support for operation of one-stop support centers and their quality improvement, acceleration of considering the review of the protective care for women, etc.

(9) Improvement of working conditions of long-term-care workers

In order to secure human resources for long-term care so that no one is forced to leave their jobs for nursing care, the government will further improve working conditions for long-term-care workers from October 2019. The government also promotes similar improvement of working conditions of human resources for welfare service for persons with disabilities.

2) Promotion of work-style reform

The government will promote work-style reform toward realizing a society in which all citizens are dynamically engaged and realize a society that allows individuals to select their own working style according to respective circumstances including child-care and nursing care and exercise their abilities to their heart's content.

As for Act on the Arrangement of Related Acts to Promote Work-Style Reform³⁷, the government will work to smoothly put the law into force in order to correct the long working hours by setting the maximum limit on overtime hours which cannot be exceeded even under the 36 Employer-Employee Agreement whose infringement is subject to criminal punishment, realize diverse and flexible work style and steadily promote ensuring fair treatment regardless of the type of employment such as introduction of equal pay for equal work.

³⁶ “The Intensive Policy to Accelerate the Empowerment of Women 2019” (Issued by the Headquarters for Creating a Society in which All Women Shine on June 18, 2019).

³⁷ Act on the Arrangement of Related Acts to Promote Work-Style Reform (Law No.71 of 2018) .

For this purpose, the government continues to provide consultation service to companies in collaboration with SMEs support organizations in the “Work-Style Reform Promotion Support Center”³⁸ which acts as a one-stop consultation center and works to disseminate the labor laws and regulations including the details of the recent labor system reform to ensure that small and medium enterprises and small-scale entrepreneurs fully understand labor laws and regulations.

On the other hand, as for the works³⁹ that are exempt from the application of limitation of overtime work, the government continues to implement attentive efforts cross-sectionally across ministries and agencies based on the circumstances peculiar to such works to seek to reduce the work time and steadily proceed with creation of an environment toward application of the overtime cap.

Toward the realization and establishment of the work-style reform, the government will work to strengthen the support system of the SME support organizations and support SMEs and microentrepreneurs that work on productivity improvement such as making further capital investment/IT introduction contributing to productivity improvement. To prevent the work-style reforms and pay increase of SMEs and microentrepreneurs from being obstructed by the work-style reform in large-scale enterprises, the government will make a request and provide guidance for improvement regarding the considerations in transactions to the industrial world, including restraint of orders with short delivery time without appropriate costs burdens and will make efforts to check and understand the actual transaction relationships and actively work to strengthen the subcontract transaction measures to improve the transaction conditions.

The government will promote efforts that enable private companies to have their employees take annual paid leave in hourly units so that they can flexibly take a leave according to various circumstances including child-care, nursing care or treatment, etc. Moreover, as for nursing care leave, currently only annual paid leave by half-day is permitted, so the government will work to make revision to necessary laws and regulations so that employees can take annual paid leave in hourly units.

³⁸ Established in 47 prefectures across the country. The Work-Style Reform Promotion Support Center can also respond to consultation needs from non-profit organizations such as social welfare corporations.

³⁹ ① As for motor carrier business, the government steadily implements the National Action Plan toward realizing the work-style reform, such as deployment of “White Logistics Movement” aimed at realizing a labor environment that ensures improved productivity and safe and comfortable work environment. ② As for construction business, based on the intent of the Law for partial amendment to the Construction Business Act and Act for Promoting Proper Tendering and Contracting for Public Works (Law No.30 of 2019) and Act for Promoting Quality Assurance in Public Works (Law No.35 of 2019), the government works to improve working conditions of workers such as correction of long working hours by optimizing construction periods and making it a requirement to participate in social security. ③ As for doctors, based on the report of the Review Meeting on Work-Style Reform of Doctors (March 28,2019), the government will implement comprehensive measures such as support for improvement in working conditions for medical institutions. ④ As for sugar manufacturing business in Kagoshima Prefecture and Okinawa Prefecture, the government will implement support for securing human resources and labor-saving efforts and others.

In order to promote work-style reform suitable for the regional condition, the government will develop the collaboration system among regional governments, labor and management and other relevant parties utilizing “Region-based Tripartite Conference among Government, Labor, and Management.”

3) Promotion of measures to increase household income

(1) Support program for the “employment ice-age” generation

(Basic stance)

The so-called “employment ice-age generation” are today in their late 30s to early 40s. They had to seek jobs when the employment environment was particularly difficult. Some of them are engaged in unstable jobs against their will, not employed at all or otherwise find themselves in hardship, because the economic conditions prevented them from getting the job they wanted and the simultaneous recruitment of new graduates and other inflexible labor practices has offered few opportunities to change jobs.

In the promotion of measures to prepare an environment conducive to making workplaces for people of all generations according to their own wish, willingness and competency, the government will make all-out efforts to offer solid assistance programs to the employment ice-age generation while fully utilizing private-sector knowhow. Mindful of the specific problems the employment ice-age generation has (which include the gap between the job they want and what they actually have now, their lack of work experiences in the real world, their aging, etc.)⁴⁰ as well as of the future market needs for human talents, data on such population will be collected locally and concrete numerical targets will be set for a 3-year long intensive program to extend individual-oriented assistance so that they can get full-time jobs and otherwise work more happily and productively.

The contemplated program target is the estimated 1 million individuals in total consisting of three groups: those who are underemployed despite their willingness to work full-time (at least half a million⁴¹), those who are long prevented from active job search for various reasons despite their wish to work, and those who require some extra assistance to develop association and participate in social life. Through the 3-year program, we intend to increase 300,000 new full-time employees of this age group by promotion of better working conditions and encouragement about the meaning of work and the importance

⁴⁰ As a result, there are many unemployed or underemployed people, and their rate of job change is higher than other generations.

⁴¹ The number of people in age group 35 - 44, the core of the generation, who cited as major reason for their current employment status (underemployed) the lack of full-time job vacancies (Labor Force Survey (Detailed Tabulation), Statistics Bureau of Ministry of Internal Affairs and Communications, 2018 average). Other than this, potential full-time job seekers are also expected, and they are included in the target of this program.

of social participation.

To help establish new links with society and participate in it in a way best fit for each target, we will promote “horizontal proliferation” of selected nation-leading local programs to other localities. Mindful of the need to provide long-term continued assistance in certain specific cases, we will initially focus on the three years of the program to grasp the actual situations and needs of the targets with the cooperation of the pertinent municipal government, and use the outcome to design and construct a system for extending assistance to those in need.

(Direction of the program)

(i) Seamless assistance from consulting and training to employment

- Establishment of meticulous escort-runner type employment counseling system

Using social media, government publications and private-sector know-how as well as others, we will work to have the new assistance measures of the program known by many, and initiate a smooth stream of as many targeted persons as possible visiting the consultation desk.

A dedicated desk will be opened at the Hello-Work offices throughout the country, and a team consisting of experts in career consulting, life design, vocational training advice and job placement will provide meticulous escort-runner type assistance. In addition, employment consulting opportunities will be provided through the use of private-sector job placement firms and recurrent education by universities and colleges.

Meticulous matching service frameworks utilizing the free-of-charge job placement service of some local governments will be introduced to other parts of the country.

- Establishment of easy-to-take, fast-acting recurrent education programs

Various recurrent education programs will be developed, including courses for acquisition of certifications or other qualifications useful for full-time employment and designed to facilitate learning while working or child-rearing, the “finish-to-start” integrated courses for qualification acquisition in a short time, combined with on-site practical training, and ready-to-go human talent development courses focused on industries of labor shortage or specific local needs. The “finish-to-start” programs and vocational and on-site training programs based on private-sector knowhow will be made eligible for the vocational training subsidy, so that the course participants can take it without concern.

- Fostering an environment conducive to increased recruiting opportunities for firms

Promote “internship for working people” designed also for recruitment selection.

Strengthen the corporate incentives through a review of the currently available subsidies.

Spread success stories of “intermediate working” opportunities offered by firms, taken by people or found in agriculture.

- Use of private sector knowhow

In recent years, an increasing number of working people register themselves to private-sector job placement firms for job change and starting to work again. Also, these firms provide employment consulting and placement services increasingly. The implementation of this program will be accelerated, in tandem with the services offered by Hello Work, by securing necessary budget to contract private-sector firms with special knowhow for outcome-oriented services from employment consultation, education and training, on-site practice, employment to settlement.

(ii) Individualized and more attentive assistance

- Outreach effort

Proactive attention and care, rather than reactive, will be made and assistance information communicated to latent assistance targets and the families, and long-continuing escort-runner assistance will be provided according to the circumstances of the target and the family. For this purpose, the outreach functions of the local youth support stations and the consultation and support agencies for needy persons will be enhanced and closer collaboration among related organizations will be pursued.

- Enlarging the support circle

Never-say-no counseling and other comprehensive support to address complex problems as well as other diverse community services will be promoted. In addition, side-by-side support will be extended through involvement of former social recluses and participation of NPOs.

In parallel, measures will be implemented aggressively to create employment opportunities in rural areas by redirecting people’s movement out of mega cities through the development of schemes to match human talent needs of regional economic spheres with a pool of human talents looking for new stages of achievements, the enhancement of “telework,” second job and dual employment, and the promotion of flexible and diverse styles of working.

A shared sense of the entire society extending assistance to the employment ice-age generation will be nurtured and a public-private platform to increase the effectiveness of

support measures will be built and operated by the parties concerned. At the same time, strategic public relations activities will be deployed through various media to disseminate the measures under the program to everyone concerned.

Expansion of the eligibility for employee insurance (pension and healthcare) will be stepped up with a view to providing better pension and other security to short-time workers.

Promptly, a necessary scheme will be established in the Cabinet Office to implement effective measures. Progress of the measures will be monitored periodically and expedited.

(2) Raising minimum wage

While working to raise the economic growth rate and the overall productivity of our country, we will prepare an environment conducive to wage increases by SMEs and small-scale entrepreneurs. Starting with meticulous and attentive support measure, drastic assistances will be extended to such SMEs and small-scale entrepreneurs that made earnest effort to increase productivity. In addition, stringent application of promotion criteria pursuant to the Act on the Promotion of Subcontracting SMEs⁴² and other measures for fairer transactions so that wage increases on the part of subcontractors can be passed on to the transaction price.

The minimum wage has been raised during the past three years generally at the annual rate of 3%. With this in mind and while attentive to the economic and price trends and mindful of regional differences, we will seek to attain a national weighted average of 1,000 yen at an early date, helped by the aforementioned measures. Simultaneously, the study will be continued on desirable minimum wage, including an analysis⁴³ of the reasons why the wage level of our country remains low in comparison to other industrialized countries.

3. Promotion of regional revitalization

Signs of a virtuous cycle are observed in regional economies such as the 1.0-plus ratios of effective job vacancies over job seekers in all prefectures and the rise of land prices in rural areas for the first time since the burst of the bubble economy. We will keep working to accelerate the realization of Society 5.0 not just in urban areas but throughout the country to enrich the lives of people in rural areas. For this purpose, the government will work with private sector to correct the monopolar concentration in Tokyo, create new movement of people to other regions and devise mechanisms that would attract self-

⁴² Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (Act No.145 of 1970)

⁴³ Including analyses by industrial sector and business category and by region

sustaining flows of people, fund and services into rural areas. In addition, new approaches in town development will be promoted based on the concept of “smart city,” a basic element in the age of Society 5.0, with a view to enhancing the quality of life of local residents.

1) Correction of the monopolar concentration in Tokyo, creation of new movement of people to regions

In creating new streams of people into rural areas and revitalize the local economies, the key to success are the forward-looking resolve and concrete actions of the local governments to address the local challenges proactively by the use of AI, IoT and other technologies directed toward realization of Society 5.0 as well as the use of private-sector knowhow. With a view to boosting the regional revitalization program as it enters the second phase⁴⁴ next year, forerunner local governments with ambitious aspirations will be assisted in terms of information, human resources and finance.

Efforts will be made to help create startups and new employees by U-turn, I-turn or J-turn including collaborative efforts with private-sector employment service providers, to promote creation of “gleaming local colleges,” and enhance the Community-Reactivating Cooperator Squad, so as to encourage the youth to study or work in rural areas and thus new flows of people from Tokyo to other areas will be generated and the monopolar concentration will be corrected. In addition, studies will be made on possible comprehensive and fundamental measures designed to accelerate the relocation of corporate headquarters to rural areas, including tax incentives for strengthened business site location. Efforts will be continued based on the “Basic Policy on Relocation of Government Institutions”⁴⁵ and the like. “Regional Collaboration Platforms” (tentative name) will be constructed to promote reform of local colleges and universities. Functions of high schools, colleges of technology, specialized training colleges and universities as developers of locally needed human resources will be strengthened.

With a view to broadening the base for solution of local problems and future settlement of people, efforts will be made to increase the “population with ties” who are involved in the local affairs in various ways and continually, even though not necessarily settling down there. Dual habitation and dual working will be promoted. Agri-tourism and children’s rural experiences in agricultural, mountain and fishing villages will be promoted systematically. Strengthened involvement of local financial institutions and other fundamental enhancement of human resource matching functions played by

⁴⁴ FY2019 is the final year of the “Regional Empowerment for Japan’s Growth,” (the first phase comprehensive strategy (FY2015 -FY2019). The successor comprehensive strategy for the second phase (FY2020 – FY2024) is to be formulated by the end of the year..

⁴⁵“Basic Policy on Relocation of Government Institutions” set by the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan on March 22, 2016,

professionals will be promoted to facilitate reflux of human talents into private firms located in the area and into the local community at large.

Smart City with full use of new technologies will be positioned as the basic concept for town development in the age of Society 5.0, and sophistication of logistics by the use of infrastructure data and introduction of next-generation mobilities will be promoted. The obtained knowledge will be utilized for overseas development.

Compact towns will be developed in conjunction with healthy life promotion, aggregating locally available functions for living to ensure universal society formation and enable senior citizens and child-rearing generation to live with a sense of security. Urban renewal will be promoted energetically to attract private investment into core and nucleus cities⁴⁶, and initiatives for local industrial promotion such as the establishment of community-based companies through industry-academia-finance-government coordination will be assisted. PPP/PFI will be aggressively employed for improvement and operation of public facilities and all other public services and entry of local firms and the like will be encouraged.

The “shareholder community” scheme for locally-rooted corporations and other equity financing methods will be facilitated.

Improvement of the tax reduction incentive scheme of corporate donations for regional revitalization will be studied to promote money flow to rural areas significantly.

2) Revitalization of regional industries

(1) Revitalization of the tourism industry

Government agencies, private sector and local entities altogether execute measures to attain the targets of receiving 40 million inbound foreign tourists a year by 2020 and 60 million by 2030⁴⁷ and thus make Japan a “tourism nation.”⁴⁸

As the first step, the needs for multilingual services, WiFi and cashless payment will be addressed promptly. Together with the promotion of MaaS⁴⁹, productivity increase of hotels, use of more non-Japanese human resources and universal design promotion,

⁴⁶ Use of the “i-Urban Renewal,” an information platform for visualization of urban renewal, formation/implementation of Super Mega Region-related projects, etc.

⁴⁷“Our Vision to Support the Future of Japan Through Tourism” (Adopted by the Conference for Deliberation on the Vision to Support the Future of Japan Through Tourism on March 30, 2016) and the “Tourism Nation Promotion Basic Plan” (Cabinet Decision of March 28, 2017). Annual spending by foreign visitors of 8 trillion yen by 2020 and others.

⁴⁸ To make Japan an advanced country of tourism and stimulate inbound demand, measures will be implemented o increase the number of repeated visitors and long-staying visitors.

⁴⁹ Acronym for Mobility as a Service. An integrated search, booking and payment system for railways, buses, etc.

measures to ensure safety and sense of security of foreign visitors in emergency situations⁵⁰ will be implemented.

In parallel with these measures, new local touristic contents will be developed. The Japan Cultural Expo⁵¹ will tour throughout the country, exhibiting to the public and making beneficial uses of national treasures and important cultural properties. Use of VR⁵² and living history⁵³ will be promoted. Environment for staying in national parks will be improved, more contents of nature immersion and further utilization of public facilities⁵⁴ will be sought. Farm stay will be made more guest-oriented and old farmhouses will be renovated. Farming experience and similar attraction contents will be enhanced. Development of castle stay, temple stay, glamping and other experience-based accommodation contents and revitalization of snow resorts, ryokan and hotels will be pursued, along with the introduction and expansion of sound vacation rentals. In addition to improving customer satisfaction of cruise ship passengers, we will create better environment for cycling, promote touristic trains and bicycle trains and strengthen tourism taking advantage of reservoirs and other infrastructure and the good medical service of Japan.

In order to maintain good responsibility sharing and collaboration between the JNTO: (Japan National Tourism Organization) and local governments/DMOs⁵⁵ with regard to attracting foreign tourists into Japan, clear distinction will be made and made known widely that regions are mainly responsible for destination improvement. JNTO will be responsible for integrated overseas dissemination of the information and charms of regions of Japan and for that purpose JNTO will be strengthened. Stepped-up consulting will be proved to regions using digital marketing technology⁵⁶, and global campaigns will be organized not just for Europe, U.S. and Australia but also for Southeast Asia. Development of new market in the Middle East and Latin America will be promoted.

Strategic relaxation of visa requirements and expansion of duty free shops will be pursued. Efforts will be made to expedite immigration control procedures by the introduction of face recognition system and scheduled organization enforcement of CIQ⁵⁷, to improve

⁵⁰“Immediate Measures to Secure the Safety and Peace of Mind of Foreign Tourists during Emergencies.” Approved by the Tourism Strategy Promotion Council on September 28, 2018.

⁵¹ A big project to embody the beauty of Japan nationwide around the year 2020.

⁵² Acronym for Virtual Reality: computer-simulated reality

⁵³ Development of new contents reproducing historical events or lifestyle of the time pertinent to the cultural property.

⁵⁴ Longer open hours of the Imperial Palace East Garden, opening of a private-sector cafe in the Shinjuku Gyoen National Garden, major expansion of the exhibition space of Sannomaru Shozokan (The Museum of the Imperial Collections).

⁵⁵ DMO: acronym for Destination Management/Marketing Organization

⁵⁶ Technology to grasp the interest and trends of foreign countries and categories by analyzing the browsing history of websites.

⁵⁷ Acronym for Customs, Immigration and Quarantine.

airport functions⁵⁸ and to promote direct light service to local airports to enhance mutual exchanges.

Also promoted is the domestic tourism. Measures to alleviate destination congestion will be taken to make the destinations more sustainable. Wide area excursion will be promoted and night time events for tourists will be reinvigorated.

To promote construction of IRs⁵⁹ to realize attractive stay-type tourism which is highly competitive in the international market, basic principles will be developed steadfastly pursuant to the Act on Promotion of Development of Specified Complex Tourist Facilities Areas⁶⁰. Casino Administration Committee will be instituted to address various concerns over casino and ensure a highest level of casino regulations in the world. Measures to address problem gambling issue will be implemented vigorously and comprehensively⁶¹.

(2) Revitalization of agriculture, forestry and fishery industries

Through rigorous execution overarching reforms in agriculture, forestry and fisheries, they will be converted to growth industries, the beautiful and historic farming, foresting and fishing communities be passed on to next generations, and the food security of the country be solidified.

With a view to increasing farmers' income, environment will be prepared for them to manage agriculture in their own way, and structural problems that are beyond their own effort alone will be solved⁶². In line with the Program for Promotion of New Farming Technology Implementation, "smart agriculture" will be promoted through implementation of new technologies as well as solution of institutional issues so as to further accelerate strengthening of international competitive capability. While establishing farmland consolidation regimes with the Public Corporations for Farmland Consolidation (the Farmland Bank) at the core, the "Farmers and Farmland Plan" will be realized to accelerate aggregation and consolidation of farmlands. Land improvement projects will be executed to enlarge the unit size of farmlands and to allow the farmers to install multiple cropping. The earning power of hilly and mountainous areas will be strengthened. Reform of agricultural cooperatives will be promoted steadfastly, and efforts will be made to fixate the rice policy reform to enable farmers to make crop choices

⁵⁸ Increasing the metropolitan airport slots (nearly 40,000 more each at Haneda and Narita), construction of second runway at Naha airport, etc.

⁵⁹ Acronym for Integrated Resort: Specified Complex Tourist Facilities

⁶⁰ Act on Promotion of Development of Specified Complex Tourist Facilities Areas (Act No. 80 of 2018)

⁶¹ Basic Plan for Promotion of Problem Gambling Countermeasures (Cabinet Decision of April 19, 2019)

⁶² "Plan for Create Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities" (Revised by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities on November 27, 2018), "Basic Plan on Food, Agriculture and Rural Areas" (Cabinet Decision of March 31, 2015), "The Policy Package for Enhancing Competitiveness of Japan's Agriculture" (adopted by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities on November 29, 2016)

by themselves. Legal framework over fertilizers will be reviewed promptly to stimulate production of fertilizers for improvement of soil fertility. Organic agriculture which meets international standard will be promoted.

To make forestry and wood industry a growth industry, forest management aggregation and consolidation will be promoted using new forest management systems, local forestry will be enhanced through the harvesting license agreement system for national forests, and road network improvement and high-performance forestry machine introduction will be promoted. Smart forestry and other innovations will be promoted through R&D on cellulose nanofibers, forest management using high accuracy resource information systems, development of automation machinery and production and management of log using ICT. Use of wood products including CLT⁶³ in middle/high-story buildings and non-residential buildings will be increased, and restructuring and facilitating production and distribution of domestic woods will be implemented to make the supply chain more efficient⁶⁴.

Reform of fishery policies⁶⁵ will be implemented steadfastly with a view to serving the dual objectives of appropriate management of marine resources and growth of fisheries, increasing the income of fishermen and maintaining a better age distribution among active fishermen. Resource investigations will be strengthened to implement new resource management systems, and enforcement of ship reduction, fishing suspension and other measures required by the introduction of resource management targets will be practiced smoothly. The independence of resource assessment organizations will be ensured and resource management policies will be implemented based on latest scientific knowledge. Necessary measures will be taken not to unduly restrict entry of newcomers into marine culture. Measures of stabilizing income in the fishery will be led in the process of legislation to reinforce its function, fishery profitability will be increased by the introduction of high-performance fishing boats, measures will be taken based on a comprehensive strategy for marine culture promotion, fishing villages will be revitalized, border control function will be deployed, and human resource recruitment and training will be enhanced. Smart fishery will be promoted including creation and operation of “Fishery data collaboration platform (tentative name)” and productivity boost of marine products value chain. Legislations concerning verification of fish catch. Fisheries enforcement regime will be reinforced.

⁶³ Acronym for Cross Laminated Timber, A thick plywood panel of sawed boards laminated in crisscrossing fiber directions

⁶⁴“Plan for Create Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities” (Revised by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities on November 27, 2018)

⁶⁵“Plan for Create Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities” (Revised by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities on November 27, 2018)

To enhance the potential for export of agriculture, forestry and fisheries products and foods and to address import restrictions of overseas countries on an integrated and strategic manner, an Headquarter for Export Promotion Policy (tentative name) will be installed in the Ministry of Agriculture, Forestry and Fisheries (MAFF). The Headquarter will define the basic policies for strategic execution of consultations with foreign countries and will manage the progress of the Roadmap⁶⁶. In addition, MAFF will be newly empowered to certify export facilities and issue certificates, and take the procedures promptly in collaboration with the Ministry of Health, Labour and Welfare. The Headquarter will establish the sole and one-stop consultation desk for export business operators interested in receiving export assistance, and relevant ministries and agencies will provide concerted assistances and examinations. In addition to the collaboration among the central and local governments and business operators, the new scheme of registered private-sector organizations for testing will be introduced in order to speed up issuance of certificates. Systems to realize these frameworks will be established, and studies on the contents of legislative bill will be made in order to submit a new bill to the Diet at an early opportunity. In addition to above measures, efforts will be made to promote GFP (Global Farmers/Fishermen/Foresters/Food Manufacturers Project) further, to provide producers with necessary information, to develop global production sites, to standardize optimum packaging and spread its use, to prepare the environment to enable matching, to carry out strategic marketing through JFOODO, to conduct promotional activities in combination with the inbound tourism promotion, and to encourage strategic utilization of intellectual properties⁶⁷. With respect to rice export, in particular, the newly added rice milling plant and the fumigation facilities for the Chinese market will be used to their maximum extent to assist effective export expansion. The government will promote utilization of standards and certifications such as JAS, HACCP and GAP and international standardization. Construction of effective and efficient export bases will be promoted⁶⁸. In addition, measures to enhance the earnings of producers on the international balance of payment basis will be studied.

To prevent overseas outflow of high-quality plant varieties and to foster breeding of new plant varieties, enhancement of plant variety protection system will be reviewed to strengthen the system. With a view to preventing inappropriate overseas outflow of *wagyu* (Japanese beef) genetic resources, measures including legislative measures will be studied to ensure appropriate distribution management and protection.

Efforts to make use of the skills of elderly people in farm/mountain/fishing villages will

⁶⁶ Reported by the Ministerial Meeting to tackle with import restrictions by other countries for Japan's Export Expansion policies of Agriculture, Forestry and Fisheries Products and Foods dated June 4, 2019

⁶⁷ "Strategy to Strengthen Exports of the Agriculture, Forestry and Fishery industry" (adopted by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities dated May 19, 2016)

⁶⁸ "Development Program on Export Infrastructure for Products of Agriculture, Forestry and Fishery" (adopted by Headquarters on Creating Dynamism in Agriculture, Forestry and Fishery Industries and Local Communities dated November 29, 2016)

be assisted and fostering of female farmers who will face up to the local challenges will be promoted. Collaboration between welfare and agriculture will be promoted to accelerate entry of disabled people into agriculture and related industries. Measures against harmful birds and animals will be tightened up, and the use as *gibier* foods (game animals) will be promoted. Comprehensive assistance measures will be extended to protect terraced rice paddies and foster prosperity of terraced rice paddy areas.

(3) Regional revitalization by bringing vitality from abroad

With a view to empowering rural areas to capture the brisk consumption demands of Europe, the U.S. And Asia, ministries and agencies concerned will cooperate to create a virtuous cycle of developing overseas markets for export of local specialties and exploiting inbound demand through increase of foreign tourists and attracting them to rural areas. In addition, local efforts to “earn money from outside Japan” will be encouraged together with promoting regional foreign direct investment. For this purpose, assistance will be reinforced to local governments proactively engaged in integrated concrete initiatives to promote inbound tourism, farm/forest/fishing products export and foreign direct investment⁶⁹, and outstanding such initiatives will be made known to other local governments.

More specifically, a consultation desk for local governments will be installed by a support team of representatives from ministries concerned with the regional revitalization bureau at the core. The desk will provide escort runner assistances by mobilizing all available measures such as regional revitalization promotion grant, tax measures and subsidies under the Regional Future Investment Promotion Act⁷⁰, information provision by JETRO and JNTO and provision of risk money. In addition, a study will be made on possible use of knowledge and knowhow owned by non-Japanese talents with regard to local government efforts of regional revitalization.

Regional foreign direct investment will be intensively attracted by focused assistances to leading local governments such as human resources support and further coordination with tourism and farm/forest/fishing product export as well as dissemination of casebooks of successful stories of attracting investment. In this way, the inward foreign direct investment stocks of 35 trillion yen is targeted by 2020⁷¹.

⁶⁹ Examples include: a program to combine travel experiences in Japan with “foods” with a view to opening up export opportunities by creating new value, and a program to learn from foreign investors about the needs and preferences of foreign visitor and use the knowledge to offer better goods and services to inbound tourists.

⁷⁰Act on Strengthening a Framework for Regional Growth and Development by Promoting Regional Economy Advancement Projects (Act No. 40 of 2007)

⁷¹“Program to Intensively Attract Foreign Direct Investment in Regional Japan” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan on April 16, 2019)

3) Support for SMEs and microenterprises

Through local financial institutions, chamber of Commerce and Industry and other management support organizations, assistance will be extended for recruitment of industry-ready core human resources. Use of latent workforce such as youths, females and the elderly will be promoted. Training of people already at work will also be promoted.

With a view to achieving Society 5.0 and improving the overall productivity including supply chain optimization, assistances will be given to the introduction of IT tools through the use of “Productivity Strategy Platform for SME Services and Other Businesses”⁷² and others, to integrated projects of AI tool development tailored to the real needs of SMEs and AI capacity building, and to the introduction and application of IoT and robotics into SMEs. Focused assistances in terms of budget appropriation, taxation, financing and regulatory will be extended pursuant to the Regional Future Investment Promotion Act and the like to projects of regional future driving force enterprises and other to lead the regional economy.

Comprehensive fiscal and tax assistances will be given to business succession over a 10-year period of intensive policy implementation, while encouraging wider use of business succession tax incentives. In particular, assistance to business restructuring through M&A and matching will be promoted in order to give a push to third-party business succession and startups with assigned resources. Assistance to second inauguration and venture-type business succession will be expanded and extended intensively. With respect to the question of manager’s personal guarantee, special provisions will be made to the Guidelines on Manager’s Personal Guarantee, a credit guarantee system eliminating the guarantee obligation of the business successor will be created, and the guarantee fee will be reduced to zero in the best case. Through a review of equity participation restriction on banks with regard to regional revitalization investments, reinforcement of local financial institutions will be promoted to facilitate smooth business succession and effective support to regional revitalization projects.

The scheme of the SME Management Development Support Plan⁷³ will be revised to involve municipal governments in the preparation so that local problems will be addressed more effectively. To ensure SMEs are equipped with good disaster prevention and mitigation provisions, assistances will be extended in terms of business continuity plan preparation and capacity development in addition to financial and tax assistances. SME Support Platform⁷⁴ will be established to facilitate use of policy measures and

⁷² A public-private collaborative scheme for the objective of achieving productivity improvement through the use of IT and the like in millions of small and medium service companies in the course of the 3 years of intensive policy measures.

⁷³ The SME Management Development Support Plan is currently drawn up by a commerce and industry association or a chamber of commerce and industry and approved by the central government.

⁷⁴ The platform will offer one-stop service from information provision to application procedures concerning SME policies measures and stock data on SMEs and microenterprises.

ensure data-based SME administration.

SME support measures will be given flexibly to incorporated NPOs and the like, while perusing the nature of their activities and considering the purposes and specific provisions of the applicable measures.

4) Promotion of decentralization reform

To encourage local governments' ingenuity, the government will steadily and strongly promote decentralization reform. The government will call for proposals under the principle of making efforts to realize proposals from local governments. The government will disseminate sound cases and improve information transmission so that people can realize the outcome of the reform. The government will conduct necessary deliberations on the regional government system in light of the progress of basic bills.

Collaboration among neighboring municipalities constituting a sizable demographic sphere will be encouraged in the areas of healthcare, transportation, education and industry. Sharing economy will be encouraged, while ensuring consumer safety, as a tool for solution of local problems by mutual help and for stimulant to innovations. Pilot projects by local governments in this regard will be encouraged and made known to others.

5) Creation of a nation with mutual flow of people across regions

Through creation of a nation with mutual flow of people across regions focused on local characteristics and collaboration, a well-balanced and future-oriented growth of the homeland will be pursued⁷⁵, with an eye on creations of super mega regions. Local economies will be uplifted by revitalization of maritime clusters⁷⁶ and industry-sustaining ports. Flow of people and goods will be enhanced through an early construction and inauguration of high-spec highways, new Shinkansen lines, the MAGLEV Chuo Shinkansen and other high-speed transportation networks⁷⁷.

For geographically disadvantaged areas, including peninsulas where the population has

⁷⁵“The Second National Spatial Strategies (National Plan)” (Cabinet Decision of August 14, 2015) and “Regional Plans” (MLIT Minister Decision of March 29, 2016)

⁷⁶ Geographic conglomeration of maritime industries, related industries and related organizations such a maritime transportation, shipbuilding, seaman's club, ship machinery industry, ship leasing, port services, financial insurance, education and research institutes.

⁷⁷ The scheduled completion of the MAGLEV Chuo Shinkansen has been moved maximum 8 years ahead of the original schedule by the infusion of fiscal investment and loan. Necessary collaboration and cooperation will be extended to enable the project owner to make preparations for announcement of the stations and route of the entire line. Schemes will be studied for project formation involving private sector to strengthen the hub function and remove the capacity constraint of Shin Osaka station in view of the planned connection with the MAGLEV Chuo Shinkansen and Hokuriku Shinkansen. In this way, the Shinkansen network will be reinforced. In addition, necessary studies will be made on various challenges from the perspective of the desirable future of major railway networks in the country including the lines defined in the basic plan.

been seriously declining, remote islands, the Amami Islands and the Ogasawara Islands⁷⁸, the government will aim to maintain and revitalize the communities by promoting formation of small hubs which ensure the functions of daily life and regional management organizations, while promoting exchange/collaboration and harmonious growth with neighboring areas⁷⁹. For this purpose, the government will pursue securing of human resources to carry out the community building and maintenance of transportation systems. Simultaneously, the government will aim to establish an independent community taking advantage of their regional resources and ingenuity to maintain and revitalize those areas. “Smart Island” is promoted to solve the problems of remote islands.

In Hokkaido, space to sustain food production and tourism will be maintained and enhanced, and the areas close to the Northern Territory will receive focused attention for prosperity⁸⁰. With a view to reviving and creating the Ainu culture and to deepening appreciation and understanding by the people of Japan, “UPOPOY National Ainu Museum and Park” is scheduled to open in April 2020 consisting of the National Ainu Museum, the National Ainu Park and others. It will serve also as a destination of international tourists and friendship for the expected one million visitors altogether a year. Pursuant to the provisions of the Ainu Measures Promotion Act⁸¹, the Ainu Policy Promotion Headquarters will be instituted to implement comprehensive and effective Ainu measures including community, industrial and tourism promotion with other governmental bodies, in addition to the conventional cultural promotion and welfare.

6) Development of Okinawa

Okinawa has advantages and potential because of its proximity to the growing Asia and its high birth rate. As an engine for revitalization of Japanese economy, Okinawa is defined in the national strategy to be a target for comprehensive and intensive development efforts.

Tourism will be promoted strategically and international logistics base will be created, including facilitation of tourist convenience by the application of the national strategic special zone mechanism, port improvement work to receive cruise ship visitors, increase of slots at Naha Airport in light of the upcoming putting into service of the second runway, and 3-car train service of Okinawa City Monorail, etc. Okinawa’s growth potential will be reinforced by measures to address the serious problem of children poverty, betterment of child rearing environment, formation of international platform for science and technology and innovations through expansion of Okinawa Institute of Science and

⁷⁸ Also included are mountainous villages and heavy snowfall districts.

⁷⁹ Include collaboration on World Heritage listing.

⁸⁰ Based on the Hokkaido Comprehensive Development Plan (Cabinet Decision of March 29, 2016)

⁸¹“Act Concerning Promotion of Measures to Realize a Society Which Respects the Pride of Ainu People” (Act No.16 of 2019)

Technology Graduate University, development of core human resources for IT and manufacturing, and stepped-up English language education with the U.S. cooperation. Agricultural productivity will be enhanced and the competitiveness secured by improvement of production infrastructure and the like. Okinawa-made alcoholic beverages will be promoted such as doubling of Ryukyu Awamori export⁸².

Development of Northern Okinawa and remote islands will be promoted by improving the settlement conditions and the like, and the blanket grants and other Okinawa development measures implemented pursuant to the prevailing Okinawa Promotion Special Measures Act⁸³ will be appraised of their outcomes overall.

Efforts will be made for prompt reuse of American military base facilities. At the former site of Nishi Futenma residential zone, a nucleus of healthcare in Okinawa will be constructed under the collaboration of ministries and agencies concerned, with the relocation of the School of Medicine and the hospital of the University of the Ryukyus.

4. Cooperation with the global economy and society

Protectionist and other inward-looking self-centered moves are spreading widely in the world as exemplified by the aggravation of trade frictions. In this context, Japan will lead the world as the G20 presidency in bringing about sustainable and inclusive growth of the world economy. Japan will also lead the world discussions directed toward international standardization of “21st century rules” and as a first-to-learn country of modern day challenges will be offering problem-solving models to the world.

1) Commitment to sustainable growth at the occasion of G20

As the G20 presidency, Japan will demonstrate its leadership in advancing international cooperation for the growth of the world economy and stabilization of the market.

While risks remain tilted to the downside, we will reaffirm the importance of sound policy management of the countries and international cooperation, recalling that the G20 Summit was created in the midst of global financial crisis and based on a strong commitment to sustainable growth so that the world economy will achieve sustained and inclusive growth.

As the responsibility of utmost importance for G20, major risks in the world economy should be monitored by surveillance and any emerging economic crisis should be

⁸² By implementing Ryukyu Awamori Overseas Export Project and Ryukyu Awamori Terroir Project, the plan is to increase the export quantity to 70 kiloliters in 2020 from the 29 kiloliters in 2017.

⁸³ Act on Special Measures for the Promotion and Development of Okinawa (Act No. 14 of 2002). The Act is to expire at the end of March 2022.

stemmed in advance.

Japan on its part will closely monitor any downside risks and make sure to manage the economy to keep the recovery trend sustained.

Excessive current account imbalances should be coped with not by bilateral trade measures but by the correction of macroeconomic saving-investment balance through international cooperation. Based on this, Japan will keep discussing at the G20 Summit the causes of excessive current account imbalances and the course of action for correction in the context of realizing sustainable and balanced economic growth.

2) Promotion of economic partnerships, making the 21st century trade rules, such as TPP11, as international standards

With the recognition that maintenance of free trade system is the most important task for the international community, we will as an advocate for free trade, promote further economic partnerships and work to make the free and fair 21st century trade rules, such as those incorporated in TPP11 and Japan-EU EPA, international standards. TPP11 should serve as the standard for future economic partnerships and we will call upon new countries and regions to join and disseminate the new rules of TPP11 as a counterweight to protectionism.

With a view to ensuring fair competitive conditions, rule making efforts will be made in new areas such as correction of market distorting measures and e-commerce. Through various frameworks, we will call upon other countries to reaffirm the importance of the multilateral trade system functioning in accordance with the WTO and related rules for the growth and development of the world economy. In this spirit, we will promote the reform of the WTO.

Trade and investment with the U.S. will be further expanded for the mutual benefit of the both countries including accomplishing an early achievement of trade talks between Japan and the U.S., so that economic development will be attained in a free and open Indo-Pacific region, based on fair rules.

Economic ties with the EU will be further strengthened including through implementation of the Japan-EU EPA. With regards to the UK, the policy direction of the new cabinet on the UK's withdrawal from the EU will be closely monitored. We will call upon the UK and the EU to avoid a "no-deal" exit and ensure predictability and legal stability so that the impact upon the world economy and Japanese businesses would be minimized. In addition, we will continue to support and share information with Japanese companies and take all positive measures necessary. Efforts will be made to build more robust trade and investment relations with the UK even after its withdrawal from the EU through measures including conclusion of a new economic partnership.

With the coming into force of TPP11 and Japan-EU EPA, meticulous domestic measures will be implemented based on the principles established in the Outline of Comprehensive Policy Measures Related to TPP⁸⁴ and the Like.

We will take the leadership in the negotiation to conclude a comprehensive and high-quality RCEP in 2019 which will be inclusive and balanced between market access and rules.

Conclusion and coming into force of investment agreements are sought with 100 countries and regions by 2020 to facilitate overseas business development of companies. ODA will be employed to enjoy the benefits of expanded free and fair economic sphere, and assistances will be given to overseas business development of SMEs in terms of training local employees, identification of overseas market needs for market development and sales channel selection.

3) Rules and framework of cross-border data flow toward expansion of the data-driven economy at international level

To ensure DFFT⁸⁵, Osaka Track will be launched at the G20 Osaka Summit, and Japan will lead the rule-making process for digital trade, focusing on data distribution and its use and the WTO efforts on e-commerce. To attain “Human-centered AI,” international AI principles adopted at the G20 will be made widely known.

4) Contribution to environmental and global issues, with a focus on SDGs

At the G20 Osaka Summit and the TICAD7⁸⁶ held in Japan, we will showcase ourselves as a powerful supporter of the SDGs, serving with the ideal of human security. Our leadership will be displayed particularly in the fields of quality infrastructure, climate change and energy, marine plastic litter and healthcare. Additionally, we will engage in the SDGs in women, disaster prevention and education.

(1) Quality infrastructure investment

In line with the G20 Principles for Quality Infrastructure Investment, we will promote infrastructure development to ensure openness, transparency, economic efficiency and debt sustainability of the borrowing countries, and contribute to enhanced growth of the

⁸⁴ Outline of Comprehensive Policy Measures Related to TPP and the Like. (Adopted by the TPP Comprehensive Measures Headquarters on November 24, 2017)

⁸⁵ Acronym for Data Free Flow with Trust: free and creditable data distribution.

⁸⁶ TICAD 7: The Seventh Tokyo International Conference on African Development

world economy.

Toward the target amount of about 30 trillion yen of orders received for infrastructure systems in 2020 under the “Infrastructure System Export Strategy”, we will promote policies such as enhancement of the market access and competitiveness through the cooperation with partner countries and public-private partnership including further participation in the operation and management of the overseas projects. Also, further participation in the overseas growth areas taking advantage of Japan’s expertise as well as so-called “soft infrastructure” development are our important policies. Thus, we will contribute to the further growth of the Japanese economy.

(2) Coping with environment and energy issues including formulation of The Long-term Strategy under the Paris Agreement

Based on The Long-term Strategy under the Paris Agreement⁸⁷, we proclaim a “decarbonized society” as the ultimate goal and aim to accomplish it ambitiously as early as possible in the second half of this century, while boldly taking measures towards the reduction of GHGs emissions by 80% by 2050. At the same time, we will realize a business-led virtuous cycle of environment and growth with the recognition that global engagement and disruptive innovations are indispensable.

More specifically, Progressive Environment Innovation Strategy will be formulated by the end of 2019, setting out ambitious targets and calling for public-private joint efforts in accelerating disruptive innovations in energy and environment. An international conference⁸⁸ will be held in the fall of 2019 by inviting leaders of top-notch research institutes of 20 countries to Japan. With a view to directing the accumulating ESG funds to innovations, through “TCFD⁸⁹ Consortium” and “TCFD Summit”, we will stimulate active green finance, not by adhering to existing forms of regulations, but by advancing the disclosure of information and transparency. In order to share the innovative fruits with the rest of the world through improvement of business environment and market creation, Japan will take the lead in setting up a framework for public-private collaboration in the ASEAN.

(3) Actions on marine plastic litter

The issue of marine plastic litter will be discussed at the G20 Osaka Summit, and common understanding is expected to be reached.

⁸⁷ Japan's Long-term Strategy under the Paris Agreement (Cabinet decision, June 11, 2019)

⁸⁸ RD20: Research and Development 20 for Clean Energy Technologies

⁸⁹ Acronym for Task Force on Climate-related Financial Disclosures

Measures to be taken in line with the National Action Plan for Marine Plastic Litter, Japan's Resource Circulation Strategy for Plastics and the Basic Policy based on the Act on Promoting the Treatment of Marine Debris⁹⁰ will include: intensified collection and appropriate treatment of waste plastics, the 3Rs, mandatory fee charging for plastic bags and innovative development of alternative materials. In addition, international contribution in the field of capacity building of developing countries and the like will be made. These activities will be made known widely to the world.

(4) Coping with global health issues

With respect to healthcare challenges such as UHC (universal health coverage), aging population and response to a health emergencies, we will develop common understanding among the G20 countries. Recalling the outcomes of the G7 Ise Shima Summit, we will demonstrate leadership both in finding solution of our own problems within the G20 countries and in assisting other developing countries. In line with the Asia Human Well-Being Initiative and with the Africa Human Well-Being Initiative, overseas business development of Japanese healthcare industry will be promoted. Regulatory harmonization in Asia⁹¹ will be promoted. The Tokyo Nutrition Summit 2020 will be hosted in 2020 and international activities to address nutrition issues will be accelerated.

5. Initiatives for important policy issues

1) Promotion of regulatory reforms

Policy measures decided in the Implementation Plan for Regulatory Reform⁹², which stipulates further establishment of regulations and institutions encouraging innovative businesses, reduction of administrative processing costs, regulatory and institutional reforms for women's participation in society and regional revitalization, will be implemented steadily. The Council for Promotion of Regulatory Reform is to terminate its current mandate at the end of July 2019. After its termination, regulatory and institutional reforms, including the consideration of making the council a permanent body, will be promoted unceasingly.

Within the framework of National Strategic Special Zones, government will strive to realize legislation for creating area-specific sandboxes⁹³ where advanced and innovative near-future technologies will be tried and materializing the Super City Initiative⁹⁴. In the Super City Initiative, multiple deregulations would take place simultaneously and

⁹⁰ Basic Policy under the Act on Promoting the Treatment of Marine Debris (Cabinet Decision on May 31, 2019)

⁹¹ Grand Design for Asian Pharmaceutical and Medical Device Regulatory Harmonization (adopted by the Headquarters for Strategic Promotion of Healthcare and Medical Policy on June 20, 2019)

⁹² Regulatory Reform Implementation Plan (Cabinet Decision of June 21, 2019)

⁹³ A scheme to facilitate experimental trials of near-future technologies in a special zone by reconsidering the required prior regulatory procedures. Modeled after the Regulatory Sandbox launched in the UK

⁹⁴ The objective is to build a first-in-kind Totally Futuristic City by the use of AI, Big Data, etc.

holistically with the consensus of the residents and others.

2) Promotion of science, technology, innovation and investment

(1) Promotion of science, technology and innovation

We will transform Japan into “the country best fit for innovations” in order to become the first country in the world to realize Society 5.0 and construct an innovation eco system. For this purpose, players of control tower functions for science and technology and innovation will be strengthened and mutual collaboration encouraged, and in this way R&D will be promoted by both public and private sectors⁹⁵. In particular, research capacity including basic research capacity will be further enhanced and challenging R&D will be conducted, through integrated implementation of university reform and reform of research human resources, funds and environment such as improvement of research environment including improving career prospects of young or female researchers⁹⁶. Open innovation will be promoted through construction of centralized management system for big R&D projects and a study on the need for new schemes to reinvigorate industry-academia joint research such as externalization of joint research functions. By the same token, multiple use of human talents through industry-academia collaboration, construction of startup eco-systems including the use of gap fund, and mindset change of the individuals concerned. Use of the industrial investment special account to make use of the investment services of the Development Bank of Japan with focus on the bottlenecks that emerge between different growth stages.

In order to clarify and prioritize solution of social issues The Moonshot Research and Development Program will be initiated promptly over multiple years, inviting researchers from around the world. In particular, strategic focus will be laid on AI, biotechnology and quantum technology, the most cutting-edge basic technologies that pertain to all S&T innovations. In light of the situations in and out of the country, focused input of budget and personnel will be made to enable effective R&D on major technologies that pertain to the safety and security of the country and its people. Efforts will be made to secure necessary amounts of government R&D budget, preferably to 1% of GDP⁹⁷, while ensuring consistency with the New Economic and Fiscal Revitalization Plan. Through

⁹⁵ Act on Improving the Capacity, and the Efficient Promotion of Research and Development through Promotion of Research and Development System Reform (Act No.63 of 2008) , The 5th Science and Technology Basic Plan (Cabinet Decision of January 22, 2016) and “Integrated innovation strategy 2019” (Cabinet Decision of June 21, 2019)

⁹⁶ Reform to make research environment more attractive and conducive to efficient research through holistic reinforcement of R&D equipment and research assistance and through betterment of the information base to support the R&D

⁹⁷ The total government R&D investment deeded during the program period will be about 26 trillion yen, assuming the nominal GDP growth rates used in the Economic Revitalization Case in the Economic and Fiscal Projections for Medium to Long Term Analysis (presented to the July 22, 2015 Meeting of the Council on Economic and Fiscal Policy) at the time of formulation of the 5th Science and Technology Basic Plan.

full-scale implementation of incentivized fiscal assistance according to the amount of private-sector fund obtained and through other means, investment by corporations to universities and national research institutes is targeted to be more than tripled by 2025. In this way, the targeted total R&D investment of public and private sectors is over 4% of GDP.

Public-private joint efforts will be made for the promotion of intellectual property strategy⁹⁸ and international standardization of high technologies.

(Promotion of space development and utilization)

Establishment of 7 satellites in the quasi-Zenith satellite⁹⁹ system and the improvement of their functions and performance as well as the corresponding development and improvement of the ground equipment will be carried out steadily with attention to efficiency. Expansion of their use will be promoted in collaboration with the G Space Project¹⁰⁰. The number of information-gathering satellites in service will be increased steadily. In pursuit of further growth of space industry, use of satellite data for agriculture and fisheries and for disaster prevention will be promoted. In parallel, development of the next generation mainstay launch vehicle H3, R&D for mitigation of space debris, decision by the end of this year on participation in Gateway¹⁰¹, space exploration projects and other measures and actions will be executed efficiently and firmly. Thus, the environment for Japan's further space utilization will be improved.

(Challenge toward a new maritime nation)

Comprehensive ocean policy measures will be promoted across all related ministries and agencies, encompassing maritime security, promotion of industrial use of the ocean, maritime environment maintenance and protection and enrichment of scientific knowledge. Ocean surveillance will be tightened by the use of AI and automation technologies. Public-private joint efforts will be made to enhance the competitiveness of the maritime industry. Efforts on the Arctic research such as vessel will be promoted and used for utilization of the Arctic Sea Route¹⁰².

⁹⁸ Intellectual Property Strategic Program 2019 (Adopted by the Intellectual Property Strategy Headquarters on June 21, 2019)

⁹⁹ Artificial satellite rotating an orbit passing almost exactly above Japan. Operation of a plural number of satellites enables high-accuracy positioning.

¹⁰⁰ An initiative to ensure safety and security of the people and economic growth by realizing a society capable of benefiting from the world's most advanced technologies of geospatial information (information showing the specific position in space and the information linked to it: "G Spatial Information") pursuant to the Basic Act on the Advancement of Utilizing Geospatial Information (Act No.63 of 2007).

¹⁰¹ The lunar orbital platform (space station) proposed by the US.

¹⁰² The Third Basic Plan on Ocean Policy (cabinet Decision of May 15, 2018)

(2) Promotion of public investment to boost and sustain growth potential

Social capital improvement which boosts and sustains growth potential is prioritized strategically, and constant and sustained public investment will be made¹⁰³. Metropolitan ring roads, international strategic ports and international key airports¹⁰⁴ will be reinforced as they serve as the basis for international competitiveness. In so doing, the current low level of interest rate will be taken advantage of. Disaster-proof resilient infrastructure will be constructed to prevent interruption of industry supply chains. AI and IoT will be employed to raise the efficiency and safety of container terminals and other physical distribution facilities and to address congestion problems efficiently. Data, self-driving and other new technologies will be used to increase productivity. These initiatives will be promoted steadfastly so that the economic growth following the Olympic and Paralympic Tokyo 2020 will remain strong.

3) Acceptance of human resources from overseas and creation of a suitable environment

Measures will be implemented steadfastly in accordance with the “Comprehensive Measures for Acceptance and CoExistence of Foreign nationals”¹⁰⁵ and Enhancement of “Comprehensive Measures for Acceptance and CoExistence of Foreign nationals”¹⁰⁶.

(1) Promotion of smooth and appropriate acceptance of human resources from overseas

Acceptance of human resources from overseas under the newly-created residence status “Specified Skilled Worker (i)” and “Specified Skilled Worker (ii)” (hereinafter collectively called “Specified Skilled Worker”) will be processed smoothly and appropriately.

To prevent specified skilled workers concentrate excessively in metropolitan areas, strong measures will be taken to promote employment in rural areas, based on regional divide and the characteristics of the industry field. In parallel, construction of acceptance environment in rural areas will be promoted such as installation of work at a single point of a contact to be operated by local governments.

¹⁰³ Based on the Priority Plan for Social Infrastructure Development (Cabinet Decision of September 18, 2015) and other infrastructure development plans.

¹⁰⁴ The current low level of interest rate will be taken advantage of also for an early construction and improvement of airport access urban railways and logistics facilities.

¹⁰⁵ Comprehensive Measures for Acceptance and Coexistence of Foreign nationals (Adopted by the Ministerial Conference on Acceptance and Coexistence of Foreign nationals dated December 25, 2018)

¹⁰⁶ On the Expansion of the Comprehensive Measures for Acceptance and Coexistence of Foreign nationals. Adopted by the meeting of ministers pertaining to Acceptance of Human Resources from Overseas and Co-Existence dated June 18, 2019)

Conclusion of bilateral intergovernmental document for a memorandum of understanding for cooperation will be promoted in order to eliminate malicious intermediary organization (brokers), and its effectiveness will be enforced. In parallel, overseas platforms for Japanese language training will be strengthened.

Frameworks for information exchange with countries concerned and relevant organizations including hosting international conferences will be devised to establish cooperative relations.

To facilitate uninterrupted acceptance of human resources from overseas in a locality, the employer and the like that satisfy certain requirements will be allowed to file residence status applications on-line on behalf of the foreign applicant.

(2) Development of an environment for the creation of a society of coexistence

In light of the increasing number of foreign nationals living in Japan and hearing the views of Japanese and foreign nationals, measures will be developed and enhanced to realize a society of coexistence in which foreign nationals are appropriately accepted and the Japanese and foreigners live together safely and with peace of mind.

More specifically, the work at a single point of a contact to be operated by local governments will be installed promptly and officials of the Ministry of Justice will be loaned to the point of a contact and otherwise assist the local governments. By concentrating the point of a contact of relevant administrative organization, a knowledge hub (tentatively called Center for Harmonious Coexistence with Foreign Nationals¹⁰⁷) will be established to offer one-stop service of providing accurate information to foreign nationals, supporting individuals and organizations and local government point of a contact. The center should be established by the end of fiscal 2020. Efforts will be made to respond to multi-language needs in justice and administrative procedures.

(3) Establishment of a scheme to control entry and residence of human resources from overseas

(Tracking of residence and employment situation)

To ensure appropriate acceptance of foreigners, examination for residence and employment situation will be carried out based on more accurate information. For this purpose, an ICT-based system will be created to keep track of foreign residents according to their accepting entities. In addition, study will be made and a project promoted for on-line applications and reporting as well as an on-line information link between the immigration authorities and the MHLW. Effective means of easily detecting fraudulent residence cards will be studied and promoted in order to tighten the measures against

¹⁰⁷ Foreign Nationals Coexistence Center (tentative name) will be operated in cooperation with the Japan Foundation which is engaged in mutual exchange projects and with the Japan National Tourism Organization.

illegal immigrants. To ensure due execution of these duties, schemes for training of officials and research and investigation will be enhanced.

(Residence management of students and trainees)

To ensure correct enrollment management of international students, the notice standards for Japanese language schools will be revised, and the regulations will be amended to enforce more stringent measures against colleges and the like suspected of inappropriate acceptance or enrollment management of international students. Thus, examination of residence status of international students will be tightened.

Remunerations paid to technical trainees will be raised to normal levels, and through enhancement of the on-site investigation capability of the Ministry of Justice, Ministry of Health, Labour and Welfare and the Organization for Technical Intern Training, the technical intern training program will be operated more appropriately. With a view to eliminating disreputable dispatch organizations, conclusion of bilateral intergovernmental document for a memorandum of understanding for cooperation will be sought immediately with China and with Indonesia, and such MOU will be enforced steadfastly through periodical consultations with the counterpart governments for closer cooperation on the basis of the MOU.

(4) Promotion of employment of foreign students in Japan

Support will be extended to international students wanting to find employment in Japan to the extent that communities and corporations have such needs¹⁰⁸. For this purpose, colleges and universities will be better informed of the “Designed Activities,” the category of residence status to search a wide range of employment opportunity other than office work. In addition, a collection of best practices will be formulated through industry-government-academia cooperation with respect to selection processes more in accord with the diversity of the international students as well as the diverse methods of remuneration and career development after recruitment. The best practices will be made known to a wider audience throughout the country. Through these measures, we will work to bring about an employment situation whereby most of the international students wanting to work in Japan can do so.

¹⁰⁸ The ratio of international students getting job in Japan remains at 32.4%. (Japan Student Services Organization, “FY2017 Results of Survey on the Next Career and Obtained Degree of International Students”)

4) Measures for successful implementation of large-scale international games, realization of a nation of sports, culture and art

(1) Successful implementation of large-scale international games

Preparations for the Rugby World Cup 2019, the Olympic and Paralympic Tokyo 2020 and the World Expo in Osaka/Kansai in 2025¹⁰⁹ will be made steadily¹¹⁰ including smooth transportation and measures against the heat. The success of these large-scale international games and events should lead to increases in inbound demand. In cooperation with local governments and private companies, we will promote a variety of initiatives for creation of a new Japan. They include: the Olympic and Paralympic Games for reconstruction¹¹¹, regional revitalization and international exchange through the host town scheme, dissemination of the beauty of Japanese culture through the Beyond 2020 Program¹¹², the Beyond 2020 My Best Program¹¹³, town development based on the concepts of “mental barrier free” and universal design¹¹⁴, and development of automatic translation (including simultaneous) based on deep learning¹¹⁵. In this way, we will leave the legacy and show it to future hosting countries. We will work together with the organizing committee for successful holding the World Masters Games 2021 Kansai. The Japan Association for the 2025 World Exposition Osaka/Kansai will be designated and assistances including subsidies and personnel loans will be extended¹¹⁶. In addition, invitation for participation will be extended on the occasion of the 2020 Dubai World Expo and international conferences, conveying to the rest of the world the attractiveness and useful information of Osaka/Kansai World Expo.

(2) Realization of a sports nation

Measures to enlarge the sport market will be implemented by promoting use of private-sector funds. Examples include: making sports a growth industry through reform of stadiums and arenas, promotion of collegiate sports through the growth of the newborn

¹⁰⁹ Games and events for which the entire government will work in terms of invitation and preparation as a result of a Cabinet consensus.

¹¹⁰ Based on the Basic Policy for Promotion of Measures Concerning the Preparation and Operation of the 2020 Tokyo Olympic Games and Paralympic Games” (Cabinet Decision of November 27, 2015)

¹¹¹ The Olympic and Paralympic Tokyo 2020 which is defined as an opportunity to add a momentum to the reconstruction from the Great East Japan Earthquake and also to transmit to the world the latest images of the affected areas on the way to full reconstruction.

¹¹² Looking beyond 2020, the government will certify legacy-leaving activities of various groups relating to coexistence and internationalization. Assistances will be extended to the certified organizations.

¹¹³ A certification program for projects and activities in support of individuals who strive to score best personal records in health.

¹¹⁴ Based on the “Universal Design 2020 Action Program” (Adopted by the February 20, 2017 meeting of ministers related to universal Design” (Fiscal 2020)

¹¹⁵ Computer learning using multi layered artificial neural circuits.

¹¹⁶ Act on Special Measures Required for the Preparation and Operation of the International Exposition to be Held in 2025 (Act No.18 of 2019)

Japan Association for University Athletics and Sport¹¹⁷, and regional revitalization through traditional martial arts and sports tourism. Sport for person with the disabilities will be promoted comprehensively including the uplifting of social recognition about Special Olympics and Deaflympics. Health management through sport including uplifting of sports participation rate¹¹⁸ will be encouraged. International competitiveness will be enhanced and international contribution through sports will be promoted. In order to ensure sports integrity¹¹⁹, tighter governance¹²⁰ of sport associations will be promoted.

(3) Realization of a cultural and artistic nation

Efforts will be made to promote formulation of national branding strategy through culture and development into culture that makes money, to enhance the economic scale of culture-related industries, and to better utilize private sector funds and high technology¹²¹¹²². Japan Exposition and other cultural programs will be developed to appeal the charms and beauty of Japanese culture both domestically and internationally¹²³. By way of a designated entity, initiatives will be taken for the construction of clearinghouse of media culture at which Japan is very strong such as manga, anime and electronic game. In collaboration with the private sector and local governments, a virtuous cycle of cultural assets will be created by accelerating exhibition to public of state-owned cultural assets¹²⁴ closely related to the locality, functional reinforcement of national cultural facilities, and invigoration of arts market. Regional revitalization will be enhanced by the encouragement to cultural and art activities of children and the disabled, by correctly-time repair of cultural assets and fire precautions according to the findings of emergency check, and by building cultural assets utilization models and listing of Japan Heritage. In preparation for the relocation to Kyoto, the functions of the Agency for Cultural Affairs will be strengthened steadfastly. A new Cool Japan strategy will be developed by the end of 2019 and the measures¹²⁵ implemented accordingly. Measures against piracy will be implemented comprehensively. Construction of a new facility for National Archives will progress and its functions will be enhanced.

¹¹⁷ Inaugurated in March 2019 as a general incorporated association to function as the umbrella organization encompassing all universities and sports.

¹¹⁸ The ratio of people who do some kind of exercise or play sports. The Second Sport Basic Plan (March 24, 2017 Decision by the Minister of MEXT) calls for a target of 65% by FY2021 from the current ratio of 42% for adult's sports participation at least once a week.

¹¹⁹ Widely understood internationally to mean the state of sport free of doping, violence, harassment or the like, and refers to the sincerity, soundness and integrity of the athletes and others involved in sports.

¹²⁰ Formulation of governance code for sport organizations, setting out the principled and rules that they should abide by.

¹²¹ Production of super-fine replica and VR of cultural properties

¹²² Based on the "Culture and Art Promotion Basic Plan" (Cabinet Decision of March 6, 2018) and the "Culture and Economy Strategy" (December 27, 2017 decision of Cabinet Office and Agency for Cultural Affairs)

¹²³ Including the utilization of the fruits of ICOM Kyoto 2019 (General Conference of the International Council of Museums)

¹²⁴ Cultural properties of national museums, art pieces of Sannomaru Shozokan, etc.

¹²⁵ Includes e-sports (the term used to describe computer games and video games competed like a real sport)

5) Natural resources and energy, environmental countermeasures

(1) Natural resources and energy

We will face up to the challenges of overcoming energy constraint and the energy transitions and decarbonization directed toward 2050. To that end, energy efficiency will be intensively pursued in all areas including housing, buildings and automobiles, by the use of both policy tools, regulations and assistances. Studies will be made for fundamental revision of the feed-in tariff system now in force to position renewable energy the major power source. In parallel, schemes will be devised to secure investment in electricity including resilience enhancement of grids and the assurance for needed supply capacity and conditioning capacity. With a view to building new energy systems, efforts will be made to stimulate competition in the power and gas markets, to address the issues of environmental compatibility and supply stability in the liberalization market, to radically strengthen the efforts toward realization of hydrogen society, to make use of next-generation conditioning capacity, to promote construction of distributed energy system and otherwise encourage local production for local consumption of energy in the true sense of the word, and to promote carbon recycling.

With respect to nuclear power, safety is given the utmost priority. Nuclear power plants found having cleared the world's most strict regulatory standards imposed by the Nuclear Regulation Authority will be allowed to operate again with due respect to the judgment of the Authority. In such an event, the central government will stand in front and strive to win the understanding and cooperation from the hosting local government and other stakeholders. In addition, initiatives will be taken to achieve unceasingly improving safety performances through voluntary safety enhancement programs and stepped up disaster prevention measures. In parallel, measures, technology development, human resource development and international cooperation will be pursued with respect to reprocessing of spent fuel and final disposal of radioactive waste. Effective regulation over nuclear will be imposed steadfastly, including preparations for smooth implementation of the new inspection system.

While continuing working to acquire resource concessions through supply of risk money, we will heighten the data gathering capability through replacement of the geophysical exploration vessel and develop innovative technologies based on AI and IoT so as to increase the competitiveness of the resources exploration industry. Development of LNG demands in Asian markets and building LNG bunkering bases will be promoted. Efforts to secure stable supply of mineral resources in and out of Japan will be reinforced. In response to the feared supply crisis from abroad, response exercises will be conducted, simulating a specific emergency situation like the closure of the Strait of Hormuz. Stepped up cooperation with oil-producing countries and major consuming countries in Asia will be promoted. Domestically, too, public-private joint efforts will be made toward

acceleration of oil and natural gas exploration as well as development and commercialization of marine energy and mineral resources¹²⁶. Efforts will be made also for efficient maintenance and improvement of oil and LPG supply chain in Japan to ensure stable supply and for reinforcement of fuel supply stations as a local community infrastructure.

(2) Environmental countermeasures

In order to move decarbonization and SDGs forward and realize a virtuous cycle of environment and growth in this time of population decline and aging, innovation creation will be supported by the creation of self-reliant and decentralized “Circulating and Ecological Economy” mutually complementing with neighboring regions in terms of local resources and by the promotion of ESG investment. We will contribute to international cooperation and rule-making including the promotion of the Satoyama Initiative. Efforts will be made also for maintenance and recovery of healthy water cycle, wastewater treatment renovation, international development of waste treatment, johkasou and other environmental infrastructure, protection of air, water and soil environment including prevention of asbestos dispersal and fluorocarbons measures¹²⁷, chemicals management, and climate change adaptation including agriculture and disaster prevention.

6) Diplomacy and security

(1) Diplomacy

In cooperation with countries sharing the fundamental values such as freedom, democracy, human rights and the rule of law, Japan, with its solid political base, should play a leading role in the international community in order to enhance world peace and stability and promote globally these fundamental values and free, fair and high-standard trade and investment rules, amid the rise of protectionism and inward-looking tendency in the world.

With the Japan-US alliance as a cornerstone, we will implement the policy of “Proactive Contribution to Peace” in the world and develop a foreign policy that takes a panoramic perspective of the world map. Utmost attention will be paid to the reception of foreign dignitaries visiting Japan to attend the forthcoming Ceremonies of the Accession.

As for the relations with North Korea, we seek to normalize relations with North Korea through comprehensively resolving outstanding issues of concern such as the abductions, nuclear and missile issues, as well as settlement of the unfortunate past in accordance

¹²⁶ Methane hydrates, Seafloor Polymetallic Sulphides, Rare Earth Muds, etc.

¹²⁷ Includes development and introduction of world leading low-GWP and non-fluorocarbon refrigerant technologies and structuring of fluorocarbons recovery schemes and their international application.

with the Japan-DPRK Pyongyang Declaration. Bearing in mind Japan's national security, Japan will actively participate in the international rule-making processes for LAWS¹²⁸ and other new fields. We will promote the efforts to establish the rule of law in the international community while making use of ODA. The inter-ministerial coordination to prepare for international litigations with MOFA playing a central role will be enhanced, and effective utilization of dispute settlement systems including international adjudications will be pursued.

We will continue collaboration with the US, Australia, the Pacific Island countries, and others towards a "Free and Open Indo-Pacific"¹²⁹. Building upon the outcomes of TICAD 7, public and private sector will jointly engage in accelerating economic transformation and improving business environment and other issues.

Strengthened measures will be taken to ensure the safety of Japanese nationals overseas and the security of Japanese diplomatic missions overseas. We will reinforce capability of gathering and analyzing information and intelligence on international terrorism that serves to protect the lives of Japanese nationals overseas.

In collaboration with diverse implementing entities including international organizations and NGOs, we will strengthen international contribution through proper, efficient and strategic use of ODA as well as through cooperation on UN PKO and peacebuilding. Strategic communications activities¹³⁰ will be further strengthened in order to win better understanding and support from the international community. Expansion of friends of Japan and experts on Japan will be promoted proactively.

Japan will strengthen the foreign policy implementation structure¹³¹, which is essential to achieve the above-mentioned goals.

(2) Security

In the dynamically changing power balance of the international community and otherwise increasing testing and uncertain Japan's security environment, national security policies will be implemented all the more strategically and systematically, in accordance with the

¹²⁸ LAWS: Acronym for Lethal Autonomous Weapons Systems. Fully autonomous weapons systems with lethality, which have no human involvement.

¹²⁹ The Prime Minister Abe announced on August 27, 2016 the idea of enhancing connectivity between Asia and Africa by realizing a free and open Indo-Pacific, with the aim of promoting stability and prosperity in the entire region.

¹³⁰ Includes advocacy about Japan's positions on the recognition of history and territorial integrity issues, enhancing Japan-US grass-roots level exchanges and the use of JICA Development Studies Program.

¹³¹ Includes improvement of the diplomatic missions overseas, including reinforcing their personnel and further taking possession of their facilities, development of consular services system, enhancement of the initiatives to achieve more efficient and dynamic diplomacy, securement of high quality chefs for Ambassadors and Consul-Generals, and increasing the number of Japanese staff working at international organizations.

National Security Strategy¹³² and following the control tower function performed by the National Security Council.

Based on the close cooperation with the U.S., the advanced surveillance posture will be maintained to prepare for all situations. In accordance with the new National Defense Program Guidelines¹³³ and the Medium Term Defense Program¹³⁴, Japan will strengthen its defense capability significantly including information collection and analysis and crisis management¹³⁵, for the purpose of defending the lives of its people and their peaceful life in any circumstances. With respect to defense industry that support these policies, measures will be implemented for application of knowledge gained in civilian sector, for creation of competitive environment and for intensive cost reduction, while reinforcing technology base. With possible realignment and consolidation of defense corporations in sight, efforts will be exerted to make the industry more efficient and resilient.

In view of the increasing importance of the use of new domains such as space, cyberspace and electromagnetic spectrum, multi-domain defense force will be built as a truly effective defense capability, in addition to the strengthening of respective capabilities in these domains. Realignment of U.S. force in Japan and mitigation of their impact to the local communities will be promoted.

Efforts will be made in accordance with the Policy on the Strengthening of the Coast Guard System¹³⁶ to reinforce the capabilities for territorial waters protection, maritime surveillance and oceanographic survey, to maintain and strengthen order on the ocean based on the rules of law, and to enhance maritime domain awareness (MDA) capability, so as to ensure comprehensive maritime security, preserve remote islands, maintain local communities and improve the contingency response capabilities.

7) Safety and security of life

(1) Disaster prevention and reduction, national resilience

To protect lives and property of the people, the government will promote disaster prevention and reduction, and national resilience in terms of both hardware and software based on the recent disaster situations and impact of the climate change.

¹³² “National Security Strategy” (Cabinet Decision of December 17, 2013)

¹³³ National Defense Program Guidelines for FY2019 and Beyond (Cabinet Decision of December 18, 2018)

¹³⁴ Medium Term Defense Program (FY2019 - FY2023) (Cabinet Decision of December 18, 2018)

¹³⁵ Information transmission, etc. by a nationwide instantaneous warning/alert system (J-Alert)

¹³⁶ “Policy on the Strengthening of the Coast Guard System” (Decided by the Ministerial Council on the Strengthening of the Maritime Security System in December 21, 2016)

To rescue victims of disasters and prompt life-saving treatment for them and minimize damage, the government will share information utilizing ICT such as ISUT¹³⁷, and strengthen the fire-fighting systems,¹³⁸ including the emergency support system from outside the district and wide-area firefighting system. In addition to support-giving systems, the government will aim to establish an operational base of disaster response, including support-receiving systems. The government will improve regional disaster-response capabilities; specifically, the enhancement and reinforcement of the national and local governments support systems and local disaster preparedness led by civilian firefighters, strengthen three-party collaboration between the government, NPO, and volunteers, nurturing of coordinators of the collaboration, nurturing and training of voluntary disaster prevention organizations, reinforcing of disaster prevention and shelter functions of schools and other public facilities, including earthquake resistant buildings, that serve disaster prevention center, and enhancement of river management and prompt evacuation utilizing new technologies. For speedy restoration and recovery of disaster-stricken areas, the government will strive to expand and enhance the system and functions of Technical Emergency Control Force¹³⁹ and develop a mid-and-long term dispatching local government officials. To realize speedy rebuilding livelihood of disaster victims, the government will consider the enhancement of disaster victim support system and cooperation with welfare. The government will establish a planned evacuation system prepared for possible Nankai Trough earthquakes and enhance public relations to help people's correct understanding.

To make Japan stronger and more resilient, the government will promote disaster prevention measures and national land resilience against disasters; specifically, development of preventive embankment and reconstruction of dams against frequent heavy rains and intensification of disaster due to the evident climate change, securing alternative traffic networks, including evacuation roads and four-lane roads, measures to prevent railroad and bridges from being washed away, measures against earthquakes such as quake-resilient piers and breakwater, tsunami countermeasures, storm surge countermeasures, and heavy-snow countermeasures¹⁴⁰. Especially, based on the results of

¹³⁷ Information Support Team that supports local governments disaster response by gathering, mapping and providing disaster information in the event of a large-scale disaster or an extraordinary disaster.

¹³⁸ Include the Emergency Firefighting Support Team (firefighting support team outside the region that supports regional firefighting organizations, upon request, that cannot respond to a large-scale disaster or an extraordinary disaster), and the support system to dispatch officials to disaster-stricken municipalities (system to centrally dispatch officials to disaster-stricken municipalities in the event of a large-scale disaster). Based on the recent helicopter accidents, the government will reinforce air firefighting and air disaster prevention system while securing the safe operation of firefighting and disaster prevention helicopters.

¹³⁹ TEC-FORCE (Technical Emergency Control Force) is a specialist group consisting of officials dispatched from each Regional Development Bureau for a large-scale natural disaster etc. in order to implement a prompt and smooth technical support for the disaster-stricken local government to swiftly grasp the situation of disaster damage, prevent the damage from spreading, and earlier restoration of the afflicted areas.

¹⁴⁰ Based on "Basic Plan for National Resilience" (Cabinet Decision on December 14, 2018) and "2019 Annual Plan for National Resilience" (determined by Headquarters for Promoting the Establishment of a Disaster Resilient

urgent inspection of important infrastructures, the government will intensively implement urgent countermeasures over the next three years,¹⁴¹ and aim to accelerate and deepen the initiatives for the national land resilience based on the implementation status. In addition, based on the Basic Plan for National Resilience, the government will proceed with building national resilience against disasters by securing necessary budgets as a national permanent policy on an all-Japan basis even after the three-year emergency measures. The government will encourage local governments and the private sector to take initiatives for national resilience by supporting their local planning and implementation, disseminating certification systems of companies that strive for business succession and social contribution, which will contribute to national resilience, and encouraging companies to strengthen their productivity. To create safe living environments, the government will promote quake-proof houses and buildings, reinforcing the ground, improving crowded wooden houses with narrow streets, removal of electricity poles and utilization of private investments. Especially, to promote seismic reinforcement of buildings that are obligated to take seismic diagnosis, the government will make efforts to provide steady support and utilize securitization of real estate, etc. The government will promote the utilization of reinforced command post capability of disaster-relief medical team and demonstration of medical module¹⁴² in medical practice trainings. The government will disseminate and raise awareness of the importance of prevention of tsunami at home and abroad through the “World Tsunami Awareness Day.”

For a nuclear disaster, the government will consolidate and reinforce the disaster prevention system by promoting evacuation planning, human resource development through training, securing evacuation routes by road improvement and maintenance, smooth evacuation through experimental evacuation models, development of radiation protection facilities, and quality improvement of nuclear disaster medicine.

(2) Public order and the administration of justice

The government will realize “Japan the safest country in the world” by strengthening multi-institutional collaboration to enhance countermeasures against increasingly serious crimes, such as sex crimes and child abuse, cyber crimes, drug-related crimes, special fraud, and organized crimes. The government will also improve human and material bases in the security and justice fields.

The government will promote local security measures. The government will strengthen measures to support measures to ensure senior drivers’ safe driving¹⁴³ and their

Japan on June 11, 2019)

¹⁴¹ Based on “Three-year Emergency Measures for Disaster Prevention/Reduction and National Resilience (Cabinet Decision on December 14, 2018)

¹⁴² Medical materials and equipment are built in a container etc. so that medical functions can be transported.

¹⁴³ This includes consideration of establishing senior drivers’ license system that allows them to drive only automobiles equipped with safety support systems.

transportation. In addition, the government will promote road safety measures for children to move in a group every day, including securing space for pre-school children to walk called Kids Zone (tentative name), strive to secure the safety of children on their way to and from school. The government will strengthen countermeasures to combat molestation in cooperation with railways operators.

To reduce the number of repeat offenders,¹⁴⁴ the government will strengthen guidance based on characteristics of offenders, support for employment or school learning, promotion of utilization of welfares, continued support for cooperative employers, securing probation officers and support for them, cooperation with local governments, measures for ex-prisoners released from prison on expiration of the prison term, development of correctional institutions¹⁴⁵ and promote sustainable and high-quality rehabilitation.

The government will promote measures to support victims of sex crime and consider the Fourth Basic Plan for Crime Victims¹⁴⁶. The government will strengthen the system to investigate causes of death,¹⁴⁷ including CDR (child death review),¹⁴⁸ information sharing, promotion of autopsy, and examination of illicit drug poisoning death.

To make Japan resilient in international legal disputes, the government will develop human resources specializing in international legal affairs and dispatch them to international dispute resolution organizations to strengthen the international human network. The government will enhance the preventive judicial functions regarding legal disputes at home and abroad, and proactively engage itself in creating international dispute resolution rules in order to strengthen capability to deal with international trials. While taking advantages of Japanese judicial systems in cooperating with the United Nations and relevant countries, the government will realize successful Kyoto Congress 2020,¹⁴⁹ and to develop its results, the government will comprehensively and strategically promote “Justice Affairs diplomacy” at home and abroad on an all-Japan basis based on centralized diplomacy. In this regard, the government will reinforce support for human resource development and development of legal systems as international cooperation, and promote the development of legal base towards further activation of international arbitration such as enhancement of the registered foreign

¹⁴⁴ Repeat offenders account for 48.7% of the total arrested criminal offenders in 2017, a record high since 1972 when statistics started.

¹⁴⁵ Based on “Re-offending prevention promotion plan” (Cabinet Decision on December 15, 2017)

¹⁴⁶ “Fourth Basic Plan for Crime Victims” which expires at the end of Fiscal 2020, is the next plan following the “Third Basic Plan for Crime Victim” (Cabinet Decision on April 1, 2016)

¹⁴⁷ Based on the Act on Promotion of Policy about Death Investigation (Act No. 33 of 2019)

¹⁴⁸ CDR (Child Death Review): Mechanism to analyze child death for the purpose of preventing recurrence of preventable child death.

¹⁴⁹ The Fourteenth United Nations Congress on Crime Prevention and Criminal Justice (scheduled to be held in Kyoto during the period from April 20 to April 27, 2020)

lawyer system.

The government will promote accessible and reliable judiciary system and legal education, including the comprehensive legal support,¹⁵⁰ and the whole government will proceed with the civil judicial reform¹⁵¹. While promoting the utilization of ICT and AI in the security and legal fields to enhance convenience of users and quality and efficiency of operation, the government will consider measures for further promotion of legal translation and promote consultation services for appropriate elimination of hate speeches and human rights violation on websites. The government will strengthen human rights protection activities,¹⁵² reflecting the actual situation of problems of young people who are social media-oriented.

(3) Crisis management

With coming international events,¹⁵³ including the Olympic and Paralympic Tokyo 2020, the government will make every possible effort for prevention of terrorism and measures cyber security. For this purpose, the government will enhance systems and capabilities to gather, consolidate and analyze terrorism-related information by working with experts from industry-government-academia and international society to utilize advanced technologies. The government will reinforce immigration control at airports, harbors and on the sea as well as warning and security at railroads, including Shinkansen trains. For any emergency like terrorism, the government will strengthen human resource base and materials and equipment for fully use to enhance response capability. For countermeasures against infectious disease and antimicrobial resistance, the government will promote domestic measures, including enhancement of system of research, inspection and treatment, and an international framework.

(4) Consumer safety and security

To strengthen local consumer administration, the government will promote placement of Consumer Affairs Center on a prefecture-wide basis,¹⁵⁴ the improvement of counselors'

¹⁵⁰ Support by Japan Legal Support Center (Houterasu)

¹⁵¹ Reflecting the consideration by the Liaison Conference of Relevant Ministries and Agencies regarding civil judicial reform promotion, reform will be promoted based on the philosophy of the Justice System Reform Promotion Law (Act No. 119 of 2001).

¹⁵² These include promotion of rescue from bullying, abuse, and corporal punishment through strengthening response capability of the Human Rights Organs with ADR functions.

¹⁵³ Events before 2020 are G20 Osaka Summit in June 2019, the seventh Tokyo International Conference on African Development (TICAD7) in August 2019, the Rugby World Cup 2019 (September to November), and the Enthronement Ceremony in October 2019.

¹⁵⁴ In all prefectures, it aims to place the Consumer Affairs Center in all municipalities with population of 50,000 or more and in 50 percent or more of the rest of the municipalities.

abilities and their compensation, and the establishment of Local Council for Ensuring the Safety of Consumers. To lower the legal age of adulthood, the government will strengthen consumer education, including high-school classes, using practical materials. The government will promote consumer-oriented management,¹⁵⁵ and strengthen the effectiveness of the whistleblower protection system through the certification system of whistleblowing system. In addition, the government will promote consumers' understanding of sustainable lifestyles based on the global trend, including promotion of a national movement collaborated by various entities to reduce food loss.

(5) Building a society of mutual assistance and coexistence

(Building a society of mutual assistance through promotion of social finance etc. to realize SDGs)

The government will promote the utilization of social finance in order to broadly call for private funds and human resources into public activities, which will contribute to solution of social issues, including realization of SDGs.

In this regard, as initiatives to support public interest activities by private organizations will start within the fiscal 2019 based on the scheme for the utilization of dormant deposits, the government will promote its steady progress by strengthening information distribution and promoting broad understanding of the system. In addition, the government will promote dissemination of Pay for Success, and strive to improve environments to create social businesses addressing social issues of community from the perspective of the private sector.

Based on the surfaced issues when 20 years passed since the Act on Promotion of Specified Non-profit Activities¹⁵⁶ was enacted, the government will improve environment for revitalization of NPO's activities, promote measures to increase contributions, and encourage participation by various players through expansion of volunteer participants and cooperation via public-private partnerships (collective impact) so as to realize a society of mutual assistance.

(Building a society of mutual assistance)

The government will realize a society of regional mutual assistance where all residents work together to create and improve livelihood and motivation in life.

Amid weakening family bonds and community bonds to help each other, in order to address combined and complicated living-related issues, the government will strengthen

¹⁵⁵ It is also called "Sustainable Management." where business operators obtain consumers' trust as leaders of sound markets from a viewpoint of the whole consumers, and conduct business activities toward creating a sustainable and desirable society while being aware of social responsibility.

¹⁵⁶ Act on Promotion of Specified Non-profit Activities (Act No. 7 of 1998)

initiatives, including establishing new systems, for comprehensive support with never refusing service for consultation and dissemination of various local activities.

With regard to support for disabled children, the government will promote measures to provide them with services according to the state of each child, including those children who need medical care, in cooperation between their family, education, and welfare. With regard to developmentally disorder, the government will promote the whole society's understanding and family support. To provide earlier support for children with hearing loss, the government will strengthen countermeasures for children with hearing loss. The government will promote the establishment of a seamless support system by people concerned with health, medical care, welfare and education by increasing the implementation rate of newborn hearing screening tests and utilizing speech-language hearing therapists through such development of core function in each prefecture that can respond to various needs such as sign language and cochlear implant. From a perspective of realizing EBPM, the government will enhance statistics of physically challenged people¹⁵⁷ in order to make comparison of physically challenged people and the other. The government will promote employment of physically challenged people by SMEs, including those who have no employment of such people, support for job retention based on the characteristics of various disabilities, and support for employment of physically challenged people in regional areas. The government will aim to prevent the recurrence of inappropriate counting of employment of physically challenged people for the public sector that was revealed in 2018. In addition, the government will promote steady procurement of goods, etc. from working facilities for persons with disabilities.¹⁵⁸ The government will take countermeasures against intractable diseases, including the enhancement of medical provision systems and counseling and support center for intractable diseases.

From a perspective of early detection and prevention of abuse of elderly people and physically challenged people and grasping the actual situation of self-neglect, the government will improve the profession of relevant institutions, strengthen cooperation and develop the systems. The government will promote the development of comprehensive support system for needy people. Based on the “National Framework for Promotion of Dementia Policies,”¹⁵⁹ the government will promote society of inclusion of dementia. In addition, based on the policy, to promote the utilization of the adult guardianship system, the government will comprehensively and systematically promote measures, including the improvement of core institutions and implementation of nation-

¹⁵⁷ Based on “Basic Plan Concerning the Development of Official Statistics” (Cabinet Decision on March 6, 2018)

¹⁵⁸ Act on Promotion of Procurement of Goods, etc. from the Working Facilities for Persons with Disabilities by the State, etc. (Act No. 50 of 2012)

¹⁵⁹ National Framework for Promotion of Dementia Policies(Adopted by Ministerial Council on the Promotion of Dementia Policies on June 18, 2019)

wide training for support for decision-making.

The government will promote correct understanding of sexual orientation and sexual identity and creation of environments where the whole society accept diversity. To realize an inclusive society with digital divide, the government will strive to support elderly people and physically challenged people for utilization of ICT.

The government will promote comprehensive measures to prevent suicide, including provision of greater support for consulting and assistance for young people and regional efforts. The government will take countermeasures against chronic pain, including preparation of guidelines and enhancement of medical care systems. Based on the Act on Payment of Lump-sum Compensation for Persons Who Received Eugenic Sterilization under the Former Eugenic Protection Act,¹⁶⁰ the government will make efforts for steady payment of lump-sum compensation. The government will promote measures to prevent no family register.

With a view to lowering the legal age of adulthood to 18 which is scheduled in April 2022, the government will promote the development of necessary environments while utilizing the Liaison Conference of Relevant Ministries and Agencies.

The government will promote the development of living environments for foreign residents, including provision of information in further multiple languages, utilization of “Easy Japanese,” multiple languages to be used for the theory test for driver’s license for foreign residents as well as their knowledge test for driver’s license when shifting from foreign driver’s license to Japanese one, and utilization of a check sheet for living manners in an apartment building. The government will promote the enhancement of multiple languages to be used for smooth opening of a bank account and clarification for its procedures while taking thorough countermeasures against money laundering. To enhance the environments for Japanese language education, the government will promote the establishment of a comprehensive regional Japanese language education system and the development and provision of ICT education materials for self-study of Japanese language. By reducing the occurrence of unpaid medical fees by foreign patients, the government will steadily develop environments where medical institutions can feel secure in providing foreign patients with medical services.

(6) Improving housing safety net, etc.

To aim at securing homes to meet various life stages, while providing integral support for homes and living through the enhancement of housing safety net utilizing rental houses and housing support for people who need housing, the government will integrally

¹⁶⁰ The Act on Payment of Lump-sum Compensation for Persons Who Received Eugenic Sterilization under the former Eugenic Protection Act (Act No. 14 of 2019)

promote the development of high-quality housing environments where anyone can live in safety, support for change of residence, and appropriate management and smooth reconstruction of condominiums. The government will aim at utilizing vacant houses and activate the existing housing market through the improvement and energy-saving of houses, promotion of remodeling, and appropriation of the real estate business.

Chapter 3 Virtuous Cycle of Economic Revitalization and Fiscal Consolidation

1. Steady Promotion of the New Plan to Advance Economic and Fiscal Revitalization

Under the basic policy “Without economic revitalization, there can be no fiscal consolidation,” the government will conduct steady promotion of the New Plan to Advance Economic and Fiscal Revitalization. Amid the economy showing sign of downside risks from overseas, it is indispensable to maintain the basic principle of Abe Cabinet’s economic policy to overcome deflation, prioritize economic revitalization, and maintain and expand a virtuous cycle of growth and distribution.

In doing so, it is essential to strengthen measures for overcoming deflation and economic revitalization through steady implementation of the New Plan to Advance Economic and Fiscal Revitalization as well as to realize the reform of expenditures and revenues that will contribute to economic revitalization. Specifically, the government will realize a) restrain of the growing burden of the social security insurance contribution by social security reform and promotion of labor participation, b) encouragement of private sector’s investment, including investment in human resources, c) private sector’s participation in the public sector through regulatory and system reforms and public-private partnership. Especially, in order to realize Society 5.0 that is the key to the paradigm shift, the government will work on the establishment of the next generation’s administrative services, including thorough digitalization, to make it as impetus of new private investments and services and strengthen a mid-and long-term growth base.

With regard to a), the government will encourage companies to steadily continue wage hike through improvement of their productivity and its provision of fiscal incentives for their pay raise, and at the same time the government will realize a strong increase in minimum wages while continuing to raise the economic growth rate and support SMEs and microenterprises in particular for increasing their productivity. Based on the New Plan to Advance Economic and Fiscal Revitalization, the government will restrain the growing burden of the social security insurance contribution by steadily conducting medical and long-term care reforms and realize continual expansion of disposable income by encouraging more people to participate in working through pension reform etc. With these initiatives, the government will increase consumers spending through magnifying disposable income and ensuring a sense of security in the future. To make measures to stimulate consumption utilizing My Number Card and support for health promotion more effective, the government will promote earlier and broader dissemination of My Key Platform.

With regard to b), the government will further promote investment in human resources

toward the Society 5.0 era by utilizing fiscal policies and system reforms. For this purpose, the government will work on the necessary system reforms and creation of a framework toward the Work-Style Reform Phase II, including shifting from fixed-term employment to job-oriented employment,¹⁶¹ more effective and properly evaluated work style, and smooth labor mobility. The government will support companies' investment for their employees and provision of appropriate curriculum by educational institutions. For revitalization and visualization of companies' investment in human resources, institutional investors and relevant ministries and agencies will work together to consider the desirable utilization of non-financial information of human capital. In addition, the government will make research of the disclosure of investment in human resources and promote companies' development of disclosure through gathering and publishing good examples of disclosure. The government will promote research and development with all-out efforts by both the government and the private sector through further innovating government projects and systems, and aim to utilize human resources from multiple aspects through cooperation between industry and academia by enhancing human capital at universities and research institutions.

With regard to c), the government will promote the private sector's participation in the public sector and the public-private partnership through regulatory and system reforms to achieve continual growth in demand focusing on the private sector demand. At the same time the government will realize fiscal efficiency and quality improvement. In doing so, the government will promote structural reforms to the next generation's administrative services and accelerate and expand preventive healthcare, data health initiatives, and industrialization of public services like PPP/PFI in order to accelerate creating investment and new services associated with public services. In addition, together with enabling the necessary reinvestment even amid tough financial conditions, through means including effective utilization of existing resources and capitals, the government will realize smart budget expenditures while also improving budgetary measures through means such as strengthening smooth efforts over the medium term.

2. Promotion of “Integrated Economic and Fiscal Reforms,” etc.

Under the New Plan to Advance Economic and Fiscal Revitalization, the government will integrally promote the three pillars of reform “overcoming the deflation and revitalizing the economy,” “expenditure reforms,” and “revenue reforms,” aiming at economic and fiscal revitalization in an integral manner, where economic revitalization will contribute to fiscal revitalization and the progress of fiscal revitalization will contribute to further progress of economic revitalization. During the foundation-reinforcement period of the New Plan to Advance Economic and Fiscal Revitalization (FY 2019 to FY 2021), based

¹⁶¹ Employment status where workers can select limited job, limited workplace, and limited work hours

on the “Basic Policy on Economic and Fiscal Management and Reform 2018”¹⁶²(hereinafter referred to as “Basic Policy 2018,” the government will steadily integrally promote economic and fiscal reform and continue to aim at achieving the fiscal consolidation target 2025¹⁶³ by making budget formulation according to “benchmarks.”¹⁶⁴) In this regard, as set forth in the (1) below, the government will promote reform to the next generation’s administrative services that can lead to simultaneous achievement of high economic ripple effects and high quality and efficient administrative and fiscal reform. In addition, the government will promote expenditure reform in the sector set forth in (2) below and also promote expenditure reform in all other sectors without exceptions, including integration and consolidation of similar projects, thorough elimination of duplication, and streamlining of projects.

The government will strategically accelerate and expand initiatives for expenditure reform, including dissemination of advanced and excellent case examples, and strive to improve the efficiency of the public sector and restraint public expenditure through behavior modification of people at all levels. The government will revise the reform time schedule by the end of 2019 by utilizing the reform time schedule KPI to conduct progress management of integral economic and fiscal reforms and evaluation of their results.

Demand for additional increase in expenditure shall be limited to indispensable items and stable financial resources shall be secured for them. In addition, for demand for additional expenditure for a certain period, the government will continue to secure financial resources, including sale of assets, to keep the fiscal discipline. To improve the PB, the government will implement initiatives for expenditure reform not only of the initial budget but supplementary budget as well.

The Cabinet Office will periodically analyze discrepancies that arise with the performance in the “Economic and Fiscal Projections for Medium to Long Term Analysis”. In addition, even after achieving surplus of the FY2025 PB, it is important to continue promoting integral economic and fiscal reform in a mid-and long-term economic

¹⁶² “Basic Policy on Economic and Fiscal Management and Reform 2018” (Cabinet Decision on June 15, 2018)

¹⁶³ The government will steadily address economic revitalization and fiscal consolidation, aiming the primary surplus of the central and local governments by FY 2025. At the same time, the government will aim to stably lower the liability ratio against GDP.

¹⁶⁴ With regard to social security expenditure, the Economic and Fiscal Revitalization Plan ((Basic Policy on Economic and Fiscal Management and Reform 2015 (Cabinet Decision on June 30, 2015) Chapter 3) set forth the policy that government aims to limit its actual increase within the increase in proportion with the aging of the population toward the fiscal 2020. Reflecting economic and price trends, the government will continue the policy until the fiscal 2021. For non-social security expenditure among general expenditure, the efforts for the expenditure reform of Abe’s Cabinet will be continued, reflecting economic and price trends. With regard to local government expenditures, while going along with initiatives for general expenditure by the state government, the total amount of general expenditure that are necessary for local governments’ stable fiscal management, including municipalities to receive grant funding, will be practically maintained not less than the level of 2018 local government fiscal plan.

and fiscal perspective until around mid-2040s¹⁶⁵.

1) Efficient and high-quality administrative and fiscal reforms through next-generation administrative services

(basic concept)

Digitalization of administrative services can not only reduce administrative costs and burden on the private sector for administrative procedures, but also it the base to realize the Society 5.0 that will empower new private businesses. If we were left behind the chance to change, our administrative services would be relatively inferior in quality and would lose driving force for productivity improvement and regional revitalization. In addition, the proportion of municipalities with population less than 10,000 will exceed one third of all the municipalities toward 2040. If the present situation continued, deterioration of the quality and efficiency of the administrative services would be concerned. With the premise of ensuring information security, giving due consideration to the protection of personal information, the state government and local governments will accelerate digitalization of administrative services on a government-wide basis.

In doing so, not only for simple digitalization, but through utilization of new technologies like IoT and AI and data development, the government will aim to shift to more efficient and high-quality administrative services by allowing the private sector to utilize data held by the administration. Toward the fiscal 2022 when the cross-cutting data collaboration platform launches that aims to create new values through data utilization across organizations and sectors, the government will intensively promote the following measures to realize the next generation's administrative services as soon as possible.

(1) Enhancement of efficiency of administrative procedures through digital government

(Promotion of the government-led information system and data standardization and securing financial resources)

The government will consolidate, standardize and share information system and data held by the state and local governments and in principle, design them to be “public property” that everyone can use freely to generate cash flow. With regard to local governments' information systems, the government will promote their standardization with leading

¹⁶⁵ According to the projection of medium-fertility and medium mortality in the “Population Projection for Japan (Estimated in 2017) by National Institute of Population and Social Security Research, while the population aged 65 or over will reach the peak in 2042, the population aged between 15 and 64 will continue to decrease and the proportion of the population aged between 15 and 64 to the population aged 65 or over will decrease from 2.3 in 2015 to 1.5 in 2042.

support from the state government, including financial resources. In addition, while limiting their customization, the government will systematically promote broad cloud computing of local government information systems as well as cloud computing of information systems of large-scale municipalities with support measures including advice for individual municipality depending on the timing of renewal of their systems.

For early realization of the digital government, making the most use of the existing infrastructure such as Social Security and Tax Number System, the government will comprehensively abolish the submission of attached documents concerning information held by the administration and promote the utilization of Social Security and Tax Number System for family registration procedures and disaster certification procedures.

(Thorough simplification of documents and face-to-face procedures)

For the improvement of convenience, simplification and efficiency of the administrative services by using IT, with the premise of ensuring information security, the government will aim at 100 percent of digitalization of the administrative services by reviewing daily operation, including abolishment of attached documents, and ensuring going online for administrative services in line with the three principle of digitalization.¹⁶⁶

For this purpose, the government will promote one-stop procedures by the private sector concerning administrative procedures. Specifically, the government will sequentially implement one-stop procedure for major personal life events such as child-rearing, long-term care, moving, death and inheritance, as well as companies' procedures for employees' life events such as social insurance and tax payment in employment and retirement. In addition, the government will take legislative measures for attached documents that may be omitted due to information coordination among administrative organizations, and promote standardization and provision of guidelines focusing on the site of long-term care, nursing and welfare for different application documents and attached documents by local government in coordination between the state government and local governments.

Also, to reduce burden on SMEs etc. for administrative procedures from April 2020 when the maximum monthly overtime hours are applied for SMEs etc. the government will introduce a simple online application with ID and password identification for social insurance procedures in employment and retirement, and application with ID and password identification using G Biz ID (Corporate Digital Platform) for subsidies (each ministry and voluntary municipalities).

¹⁶⁶ (1) Digital first (in principle, each procedure and service are completed by digitalization) (2) Once only (information needs to be provided only once) (3) Connected, one stop (multiple procedures and services are provided at one place from anywhere, including the private sector's services)

(Promotion of local government digitalization)

To realize the digital government for local governments, the government will encourage local governments to take initiatives based on the Digital First Act.¹⁶⁷ While performing comparisons between bodies across a variety of different local government administrative sectors,¹⁶⁸ local governments and relevant ministries and agencies will work together to promote utilization of ICT and AI and streamlining their operation through standardization of operational process and systems. The relevant ministries and agencies will work together with local governments to develop horizontally expandable AI, spreading nationwide. The government will aim to improve efficiency of IT-related subsidies to local governments. At the same time, from a perspective of promoting standardization of information systems and data with leading support from the state government, including financial resources, taking the opportunity of centralization of IT budget, the Cabinet Secretariat will take initiative to consider policies to support local government digitalization in cooperation with relevant ministries and agencies.

To realize digital transformation of local government administration befitting the Society 5.0 era, the Ministry of Internal Affairs and Communications will urgently identify issues from the aspects of technical resources, human resources, financial resources and operations, and formulate a plan to fundamentally promote AI, ICT and cloud computing. The Ministry will clarify its process by the end of 2019.

With regard to data held by local governments, while ensuring the protection of personal information, the Ministry will organize ideas how to utilize the data within the fiscal 2019 and promote data utilization by local governments.

(2) Promotion of efficient and effective budget implementation

The government will further improve the government information system to effectively promote digital government, and from a perspective of effectively realizing data standardization, compatibility among information systems, and advanced information security in an integral manner, the government will strengthen central project management of the government information system at each stage from budget request to execution. Under the jurisdiction of the Cabinet Secretariat, the government will partially start project management throughout the year from the fiscal 2019 with service-oriented operational reform (BPR) in mind, and sequentially expand it. At the same time, to

¹⁶⁷ Act for Partial Amendment to the Act on Utilization of Telecommunication Technologies for Administrative Procedures Aiming at Improving Concerned People's Convenience and Simplifying and Improving Efficiency of Administration Management by Utilizing Telecommunication Technologies (Act No. 16 of 2019)

¹⁶⁸ For example, inspection, maintenance and repair of infrastructures, clerical work for national health insurance and long-term care insurance, examination for admission to nursery, etc.

promote the establishment and utilization of systems, platform and functions etc. (digital infrastructure) that are commonly used by the whole government through utilization of cloud services, the government will sequentially start a lump-sum budget request and a lump-sum budget recording concerning the development of digital infrastructure and its operation from the fiscal 2020.

With regard to the procurement of the government information system, to make flexible, efficient and effective system development, the government will start a new method of procurement and contracting that allows the government to discuss the technical content of proposal with multiple suppliers before signing a contract on a trial basis from the fiscal 2020.

Through these initiatives, the government will aim to reduce the cost for system improvement among operational expenses and maintenance expenses by 30 percent compared to the level of the fiscal 2020 by the fiscal 2025.

Each ministry and agency will thoroughly review administration in all expenditure areas, reflecting the 2020 budget. In addition, With regard to defense procurement, to improve its cost-effectiveness even further while maintain an effective defense capability, the government will thoroughly promote the rationalization and efficiency of the procurement of defense equipment based on the new National Defense Program Guidelines and the Medium-term Defense Buildup Program, and appropriate manage deferred burden. With regard to public-private funds, the government will ensure more efficient and effective utilization of the funds through determination of appropriate support in consideration of additional support for the private sector, and cross-sectoral review of the guidelines for the setting of KPI and promotion of SDGs. At the same time, the government will promote the improvement of the profit structure by the regulatory authorities and investors.¹⁶⁹ Based on these measures, the government will review the fund structure if necessary.

(3) Promotion of administrative reforms, including the EBPM (Evidence-Based Policy Making)

With a view to the establishment of administrative services with an active data utilization, the government will steadily promote the development of official statistics and EBPM. In addition, the government will properly respond to advanced and complicated administrative issues through review of role sharing of self-help, mutual aid, and public assistance, and through work-style reform in the administrative sector.

As ten years have passed since the new public-interest corporation system was established, the government will give necessary consideration on further strengthening governance of

¹⁶⁹ Improvement target and plans etc. formulated based on the Basic Policy 2018

public-interest corporations based on their activity conditions. Also, with regard to the incorporated educational institution system as public-interest corporations, the government will promptly consider the system reform to ensure the equivalent governance, based on the reforms of the social welfare corporation system, the public-interest incorporated association system and public-interest incorporated foundation system.

(i) Development of official statistics and promotion of EBPM for active data utilization

Based on the examination and verification of the government statistics by the Statistic Commission, the government will make fundamental improvement, not merely prevent the recurrence of the incident, and systematically secure necessary resources to implement reliable statistics administration.

The government will implement analytical examination of individual statistics, immediate improvement of checking and verification systems to function the PDCA cycle, intensifying and strengthening checking conducted by the Ministry of Internal Affairs and Communications and the Statistics Commission, strengthening local examination and survey management system, efficiency of statistics in line with the actual situation, and human resource development in the statistics sector. In addition, based on the existing 20 percent reduction of the burden for preparation, report, and utilization of statistics, the government will further promote reforms of operation, work style, and services, aiming at improvement of convenience of statistics data, visualization of quality, promotion of going online, system optimization, full-scale research on utilization of big data, and sharing of the state government statistics. Each ministry and agency that has jurisdiction of official statistics as well as the Ministry of Internal Affairs and Communications will consider the promotion of secondary utilization of recorded administrative information such as tax information and real estate registration information for statistics.

Within the Statistics Reform Promotion Conference, the government will establish a reform structure that considers comprehensive countermeasures against the recent incident and a continuous statistics reform implementation structure that collaborates with the government sector.

In addition, the government and strive to improve the quality of budget and verify the effectiveness through promoting EBPM and securing and developing human resources, necessary data collection, and utilization of logic models.

(ii) Review of role-sharing of self-help, mutual aid and public assistance

Amid various public services being requested under the aging population and declining

birth rate as well as fiscal constraint, it is essential to resolve social issues more efficiently and more effectively through new framework and new collaboration regardless of the previous role sharing of self-help, mutual aid, and public assistance. It is also important to review the role of public services from a perspective of securing a sustainable system and create a mechanism to newly consolidate providers of various services, funds, and know-how and activate them where new economic dynamism is generated.

From these viewpoints, the government will consider measures to make and disseminate for public contracts attracting private funds and know-how, including performance-linked incentives, make regulatory reforms for various utilization of the existing public assets, eliminate disincentives for the promotion of exchange of human resources between the government, public interest and the private sector, encourage diverse participants to join in the existing markets and public service areas, and promote unprecedented measures to utilize unused assets such as dormant deposits and unused land whose owners are unknown.

(iii) Thorough work style reform in administrative areas

(Raise of the retirement age for public servants and thorough merit and performance-based system, etc.)

Based on the extending average life expectancy and the progress of aging population and declining birth rate, from a viewpoint of properly responding to complicated and advanced administrative issues, the government will consider the gradual raise of the retirement age of public servants to 65, reflecting the opinions of the National Personnel Authority in August 2018.¹⁷⁰

In addition, in accordance with the Basic Act on Reform of National Civil Servant System,¹⁷¹ to ensure personnel management on the merit and performance based system and place the right people in the right positions, government will clarify the job description for Directors etc., improve personnel evaluation, and implement target setting for public recruitment of executive officials and supervisory officials.

(Drastic review of operation)

To contribute to the establishment of high-quality administrative services responding to various issues at home and abroad, the government will develop a necessary system to grasp the actual situation of work sites and promote drastic review the existing operation considering the actual situation. At the same time, the government will clarify job

¹⁷⁰ “Opinions on the revision of the National Civil Servant Act etc. in order to gradually raise the retirement age up to 65” submitted by the National Personnel Authority to the Diet and the Cabinet on August 10, 2018.

¹⁷¹ Basic Act on Reform of National Civil Servant System (Act No. 68 of 2008)

responsibility of executive officials and supervisory officials and appropriately reflect their performance on personnel evaluation. Based on the results of the review, the government will consider a new organizational structure and personnel capacity management.

2) Reforms in major policy areas

(1) Social security

(Basic concept)

Based on the New Plan to Advance Economic and Fiscal Revitalization, the government will sequentially implement the reform during the foundation-reinforcement period of the base and progress the reinforcement of the base of social security system by 2022 when the baby-boom generation starts reaching 75 years of age, solidifying the base to ensuing sustainable economic growth and fiscal consolidation. For this purpose, the government will steadily promote the reform, fully verifying the progress of the reform time schedule, including review of benefits and burdens.

With regard to pension and long-term care, the government will draw a conclusion by the end of 2019 with a view to necessary legal revision. Also with regard to other fields such as medicine, to sequentially implement the reform during the foundation-reinforcement period of the base, the government will organize comprehensive and prioritized policy measures, including desirable benefits and burdens in the “Basic Policy on Economic and Fiscal Management and Reform 2020” ((hereinafter referred to as “Basic Policy 2020).

With the arrival of the era of 100-year lifespan, it is necessary to reform the social security system to be sustainable responding to diverse lifestyles and workstyles in aging population with declining birth rate. In proceeding to a discussion of this theme, the government will consider it from viewpoints free from age restrictions, including the viewpoint of rebalancing so called “people who support” and “people who are supported,” the concept of “social security that supports selection” which supports individual free and diverse selections where specific lifestyles and workstyles are not disadvantaged. At the same time, the government will proceed with the reform from viewpoints of desirable role sharing of self-help, mutual aid, and public assistance and desirable benefits and burdens in consideration of burden capacity and balance between generations and within a generation.

At the same time, looking ahead around 2040 when the population of elderly people may reach the peak as the working-age population is declining, the government will promote the following preventive measures against disease and to prevent disease from becoming serious, measures to promote health, and measures to improve productivity through medical and welfare service reforms, setting specific targets and KPI for the targets for

each measure.

In addition, the state government and local governments will share the direction¹⁷² and implement specific measures reflecting the actual situation of local communities through appropriate sharing of roles.

Through these measures described in Chapter 2. 1) (2), reflecting viewpoints of different age groups, the government will establish the social security system for all generations responding to the era of 100-year lifespan, aiming to maintain the world's famous universal healthcare coverage and pension coverage and succeed them to the next generation.

(Promotion of prevention of disease as well as prevention of disease from becoming severe and promotion of health)

(i) Promotion of extension of healthy life expectancy

The government will promote the extension of healthy life expectancy, aiming to extend both males' and females' healthy life expectancy by three years to 75 years of age or over by 2040. For the establishment of an effective PDCA cycle concerning the extension of healthy life expectancy, the government will make research on factors to influence the healthy life expectancy and promote measures by setting and utilizing objective indicators etc. to help each municipality implement their measures. For the prevention of diseases and the promotion of health for all people including those who are indifferent of health, and elimination of disparities among regions and insurers, by developing environments where people become healthy naturally and utilizing new methods to encourage people to change their unhealthy behaviors, the government will take initiatives to create healthy living habits of all people including the next generation, including prevention of diseases, prevention of disease from becoming severe, prevention of long-term care, care for frailty, and risk reduction of dementia.

(ii) Priority measures to prevent lifestyle diseases, chronic kidney diseases, dementia, and long-term care

The government will promote the prevention of lifestyle diseases such as diabetes, chronic kidney diseases and prevention of disease from becoming severe. With Specific Medical Checkups and Specific Health Guidance, while implementing nationwide development of models to collaborate with local medical associations etc., the government will aim to improve the uptake rate, reaching 70 percent of the Specific

¹⁷² Based on the Basic Policy 2018, the National Governors' Association holds a meeting to exchange opinions between the state government and local governments since this May in order to strengthen horizontal cooperation to share good practices and advanced practices to realize "Health Country."

Medical Checkups and 45 percent of the Specific Health Guidance by the fiscal 2023. The government will fundamentally reinforce the Insurers' Effort Supporting System with each clearly weighted against another, including the introduction of both adding and subtracting evaluation indicators.

To improve the cancer screening uptake rate, the government will establish a method to grasp the status of implementation of cancer screening uptake at workplace and promote integral implementation of cancer screening and specific medical checkups. The government will consider the risk-based cancer screening to improve the uptake rate and effectiveness.

Especially, for the improvement of the uptake rate of specific medical checkups and cancer screening by people in their 40s and 50s who are in the prime of life, the government will comprehensively take various measures, including to raise the awareness of persons eligible for specific medical checkups that people in their 40s have higher morbidity of cerebrovascular diseases and breast cancer, and to encourage them to take medical checkups (for example, improvement of accessibility by integrally taking cancer screening and specific medical checkups, use of the nudge method to recommend uptake to effectively target people in their 40s, and free of or low cost of medical and health examination for people in their 40s), and to review and simplify the contents of health examination for low-load examination such as blood test utilizing new technologies.

In order to put in place a mechanism to accumulate genome information in Japan, to discover new drugs and provide personalized medicine for cancer treatment with use of the whole-genome analysis, aiming to overcome cancer, and to steadily promote research for early diagnosis of intractable diseases by the whole-genome analysis, in reference to the U.K. that implemented the examination of the whole-genome of 100,000 people and aims to examine that of one million people, the government will formulate a specific implementation plan, including numerical targets, human resource development and the system enhancement within 2019, reflecting the measures already taken and the current issues. In addition, in promoting the genome medicine, the government will take necessary measures to create society where people are not unfairly treated due to genome and gene information.

Based on "National Framework for Promotion of Dementia Policies," the government will promote gathering, assessment, dissemination of evidence and R&D etc. regarding risk reduction of dementia based on "inclusion with dementia." At the same time, for early detection and early treatment, the government will surely take measures, including further promoting cooperation between Medical Center for Dementia-related Diseases in the circular network and Community General Support Center.

To provide each elderly person with careful and detailed health care services responding to various mental and physical problems including frailty, the government will promote

integral implementation of health care services and prevention of long-term care in municipalities, from viewpoints of physical exercise, oral health, nutrition, and social participation. For further promotion of prevention of long-term care, including utilization of a public place of walking distance for elderly people, the government will aim at fundamental reinforcement of grants to promote insurers' functional enhancement of the long-term care insurance system.

(iii) Measures for health promotion and countermeasures against allergic diseases and addiction

The government will take thorough countermeasures against passive smoking from a perspective of health promotion. The government will also organize the promotion framework in collaboration of industry-academia-government by the end of the fiscal 2020 to promote creating dietary environments where people naturally become healthy. With regard to stroke and heart diseases, based on the Cerebrovascular and Cardiovascular Disease Control Act¹⁷³ enforced last year, the government will formulate a basic plan to promote countermeasures, such as prevention, empowerment of health system, information gathering/provision and research, against cerebrovascular and cardiovascular diseases and steadily promote measures for prevention, enhancement of medical institutions, information gathering/provision and research. As oral health leads to overall health, While improving the reliability of evidence, the government will enhance dental and oral health, including provision of appropriate information to people, life-time dental checkups, oral health management by dentists and dental hygienists, which can help countermeasures against frailty, and cooperation with medical and dental hospitals in oral function management for inpatients. In addition to those measures, the government will establish a framework to provide dental health and medical services, including cooperation with institutions of long-term care and welfare services for persons with disabilities. The government will also strengthen women's life-time health support. The government will promote measures for the prevention of severe allergic reactions and the reduction of symptoms. At the same time, while promoting self-medication through the dissemination of OTC pharmaceuticals, the government will promote the health support pharmacies system while verifying its effectiveness. With regard to countermeasures against addiction to alcohol, drugs, and gambling, the government will enhance consultation and support services, support private organizations and promptly develop human resources. The government will also take necessary countermeasures against gaming disorder based on the survey result, etc.

¹⁷³Cerebrovascular and Cardiovascular Disease Control Act (Act No. 105 of 2018)

(Pension system reform for diverse employment and social participation)

To promote diverse employment and social participation, including elderly people and women, the government will consider the universal social insurance system¹⁷⁴ that broadly covers workers, aiming at its realization. The government will aim for the social security system that responds to diverse lifestyles and workstyles, including enlargement of people's choices of pension age responding diverse workstyles and consideration of the expansion of employee insurance coverage. From a viewpoint of expanding the employment age bracket, the government will develop environments to further expand employment opportunities for healthy elderly people who want to work and take measures to widen employment opportunities. At the same time, the government will promote measures to prevent increasing work accidents among elderly people in the service industry.

With regard to coverage of the Employees' pension insurance and health insurance for part-time workers, while verifying the effects of expansion of coverage of employees' insurance and its impact on the workers' employment behavior, the government will take necessary measures, including submission of bills. In addition, to support various and flexible workstyles, the government will promote environmental improvement for the correction of employment adjustment and encourage companies to provide employees with consultation for their career development and a sabbatical leave system.

With regard to the desirable way to receive pension in consideration of the individual status in response to elderly people's diverse work life, the government will enhance the flexibility of the deferred pension plan, in consideration of employment trend for elderly people, its impact on the pension financing and redistributing function, fairness etc. At the same time, from a perspective of not discouraging their desire to work, the government will consider the old age pension plan for the working elderly with a view to its abolishment in the future, and review the plan as soon as possible based on the discussion by the Social Security Council. Also, to support their selection of post-retirement life plans, the government will review the description of periodical post mail on pension.

Based on the fact that the employment situation has been stable thanks to the results of Abenomics, from viewpoints of active management and stable operation of employment insurance reserves, the government will consider the continuation of the time-limited reduction of employment insurance premiums and national subsidies in consideration of people's income environment after the consumption tax raise.

¹⁷⁴ Further expansion of employment insurance coverage

(Medical and long-term care reform)

To improve the productivity of medical and long-term care services toward the realization of a sustainable social security system, the government will promote the medical and welfare service reform plan. At the same time, the government will promote the efficient provision of medical and long-term care services as well as the establishment of community-based integrated care system. Considering the burden on the working generation, the government will aim for an appropriate increase in medical costs in line with increasing number of the latter stage elderly people, half-reduction of regional disparities in medical cost per person, and reduction of regional disparities in long-term care costs. Based on the aging and declining population and advanced medical services, the government will aim to appropriately improve medical fees and long-term care fees to promote each of the following measures, and while promoting appropriateness and efficiency, the government will continue proceeding with outcome-based payment, including ADL improvement, in order to provide stable and high-quality services.

(i) Promotion of the medical and welfare service reform plan

The medical and welfare service reform plan will aim to improve productivity through robot, AI, ICT etc.,¹⁷⁵ Data-based Health Management Initiatives, task shifting, promotion of senior human resources, organizational management reform, large-scale management and cooperative management. In doing so, the government will improve the quantity of medical and welfare services per unit time by five percent or more and that of doctors by seven percent or more in 2040.

The government will promote Data-based Health Management Initiatives and individualize insurance identification numbers, deploy an online checking system for health insurance status, start the full operation of “health care data platform” in the fiscal 2020, collaboration of Clinical Innovation Network and MID-NET,¹⁷⁶ promote measures to deployment of AI, establish database to gather and analyze data of elderly people’s health condition including nutritional status and contents of care, and promotion evidence-based long-term care including the promotion of measures to put evidence-based care plans with use of AI to practical use.

With regard to a mechanism to confirm patients’ medical and healthcare information, including medicine information and specific medical checkup information, based on their medical receipt from patients themselves and medical institutions etc. across the country, the government will aim to launch it for specific medical checkup information by March 2021 and medicine information by October 2021. Furthermore, to promote a mechanism

¹⁷⁵ These include measures based on the results of the “Future Innovation WG” (established under the Next Generation Healthcare Industry Council that is established under the Headquarters for Healthcare Policy)

¹⁷⁶ Medical Information Database Network of the Pharmaceuticals and Medical Devices Agency

to confirm other data at medical institutions etc. based on the result of the past implementation, while verifying the necessity of information sharing, technology trends and cost effectiveness, the government will promote consideration of measures based on the issues, including patients' and doctors' reluctance, strict security and high initial cost, and formulate a timetable by summer 2020. At the same time, while aiming at the visualization of the use and results of the Support Funds to Computerization on Medical Information, the government will promote standardization of electronic medical records. For the promotion of collaboration with long-term care information, the government will continue to consider methods, etc. With regard to the examination and payment institution for medical insurance, the government will steadily promote reform items stated in the "Timetable for Efficient and Sophisticated Operation of the Payment Fund."

(ii) Efficient provision of medical services

To address new issues such as shortage of human resources toward 2040, the government will promote initiatives for the realization of the regional medical plan, countermeasures against uneven distribution of doctors, and workstyle reform for medical service providers with three in one management strategy and implement a comprehensive medical service provisional reform.

For the realization of the regional medical plan, the government will analyze medical data on specific policy measures for all public medical institutions. In order to make the contents of the specific policy measures to be focused on functions that cannot be covered by private medical institutions, and to make them in line with restructuring medical functions and an appropriate number of hospital beds that should be achieved in 2025, the government will provide advice and intensive support through designation of target areas. At the same time, the government will request their review of response policy within the fiscal 2019 in principle¹⁷⁷ by setting new standards. The government will also request private medical institutions to formulate a response policy in line with the realization of regional medical plan in 2025 and encourage them to discuss at regional medical plan adjustment meetings. In the event that no progress has been made in functional differentiation of hospital beds and their cooperation by taking these measures, the government will consider new effective authority of prefectural governors in the fiscal 2020 and take necessary measures as soon as possible. The government will establish a mechanism to make significant differentiation and an effective PDCA cycle led by the state government in the allocation of the Regional Medical and Long-Term Care Comprehensive Securing Fund (including projects existed before the fund was established). At the same time, based on the verification of the results, the government will take additional measures to support downsizing of hospital beds with use of consumption tax resources, if necessary, from a perspective of truly contributing to the

¹⁷⁷ The policy includes restructuring of medical institutions it should be reviewed by around fall 2020 at the latest.

realization of regional medical plan. To steadily promote changing medical functions of hospital beds and shifting to integrated facility for medical and long-term care, the government will verify the effects and costs of the current promotion measures, including effect of restructuring hospital beds through the review of basic hospital charges regarding the Regional Medical and Long-term Care Comprehensive Securing Fund, acute phase beds and long-term care beds and consider necessary measures. To build a high-quality and efficient structure to provide emergency medical services, the government will consider environment improvement for the establishment of data sharing of emergency medical services and the improvement of paramedics and their utilization.

The government will aim to reduce the higher-level number of hospital days than foreign countries. For mental sickbeds in particular, in order for in-patients, including persons with dementia, to live their own life with ease as a member of the community, the government will provide support for the establishment of integrated community care systems that can accommodate mental disabilities.

While promoting differentiation of functions of and cooperation between hospitals and clinics, based on the desirable family doctors' functions, the government will promote dissemination of family doctors, family dentists, and family pharmacists and the administration and insurers will work together to raise awareness of appropriate consultation with medical institutions. The government will incorporate the policy of effective allocation of expensive medical device into prefectures' medical plans and improve the use rate to reduce regional disparity in allocation of such device.

With regard to the desirable medical and heal care in the final stage of life, the government will promote measures such as "End-of-Life Discussion,"¹⁷⁸ and horizontally expand good examples of end-of-life care at home.

The government will promote medical enhancement, including medication instructions online. With regard to online medication, based on the situation of medical sites, the government will consider issues of medical charges and appropriate rules for actual medical instructions online. To promote analysis and utilization of life-time information on medical and health records from birth through school days and at workplace for the prevention of diseases etc., the government will organize measures, including PHR (Personal Health Record) utilizing Mynportal, and make their timetable by summer 2020, including methods to standardize and digitalize medical and health information by fiscal 2022.

With the use of an indicator of uneven distribution of doctors, the government will promote effective countermeasures against uneven distribution of doctors in regions and clinical departments based on doctors' career path, including clinical training and

¹⁷⁸ Anyone considers in advance and repeatedly discusses and shares with their family and their medical care team the desirable medical care at the final stage of life. It is the nick name of ACP (Advance Care Planning).

specialty training. With regard to the admission quota for medical faculty after the fiscal 2022, for the reduction of the admission quota for medical faculty, the government will consider the policy for the number of doctors to be trained based on periodical estimation of supply and demand for doctors. In addition, the government will develop the integral doctor training course before and after graduation in order to improve medical capabilities, and based on the Act on Partial Amendment to the Medical Care Act and the Medical Practitioner's Act,¹⁷⁹ while discussing the number of doctors in training who have received general practitioner's training,¹⁸⁰ the government will strengthen measures for primary care, including the promotion of general practitioner's training.

With regard to the reform of doctors' and medical care workers' workstyle, based on the study report on the reform of doctors' workstyles and with a view to the start of limitation of overtime work for doctors, the government will promote appropriate management of work hours at medical institutions and management reform as well as effective task shifting.

(iii) Reinforcement of insurers' functions

For the half-reduction of regional disparity in medical cost per person and the reduction of regional disparity in long-term care cost per person, while the state government and prefectural governments work together to take active roles, they will manage the progress of and visualize measures by region and their results, and analyze factors for left-behind regions and consider further improvement measures, including reinforcement of insurers' functions.

The evaluation index of incentives (for example, project to prevent disease from becoming severe such as diabetes), the government will systematically raise the ratio of outcome indicators and encourage insurers to implement systematic measures by clarifying the raising schedule. For provision of incentives, the government will preferably evaluate insurers who improve multiple and duplicate medication by utilizing health information and medical receipt, prevent diseases like diabetes from becoming severe, and promote data sharing and analysis among insurers.

In order to promote individual voluntary prevention and health care, the government will support insurers' initiatives, including a health care point system, that can lead to the provision of incentives to individuals, aiming horizontally expansion of advanced and good practices.

With regard to elimination of extra-legal transfer of tax money to the national health

¹⁷⁹ Act on Partial Amendment to the Medical Care Act and the Medical Practitioner's Act (Act No. 79 of 2018)

¹⁸⁰ The target number of doctors in training who have received general practitioner's training will be discussed by the Japanese Medical Specialty Board

insurance, from a viewpoint of sound finance of the national health insurance, the government will request the national health insurance to formulate a plan incorporating the deadline of elimination and effective and specific measures to eliminate the use of public expenses. At the same time, the government will introduce incentives both in addition and subtraction in the Insurers' Efforts Supporting System and encourage insurers, including prefectural governments that have a large amount of extra-legal transfer per person, to eliminate extra-legal transfer as soon as possible. The government will aim for the nationwide development advanced and good practices conducted by prefectural governments that make efforts to visualize benefits and burdens, including standardization of insurance premiums of the national health insurance and improvement of its profitability. With regard to regional own medical charges based on Article 14 of the Act on Assurance of Medical Care for Elderly People,¹⁸¹ the government will consider specific utilization measures that can contribute to judgement by prefectural governments. With regard to allotment of ordinary adjustment subsidies for the national health insurance, from viewpoints of income adjustment function and based on the standard medical fees after adjusting the sex and age of insurance subscribers, the government will continue discussions with local governments for the preparation of the Basic Policy 2020.

With regard to subsidies to strengthen and promote insurers' functions for long-term care, the government will strengthen incentives for insurers through systematic raise of the ratio of outcome indicators as well as clarification of the distribution criteria to preferably evaluate efforts for the prevention of long-term care and further visualization. In addition, with regard to utilization measures for adjusting subsidies during the period of the eighth Insured Long-Term Care Service Plans, reflecting opinions from local government officials, the government will consider them at relevant councils and take necessary measures. The government will grasp the operational status of the Domicile Exception system and take necessary measures from a viewpoint of encouraging elderly people to transfer their residence.

(iv) Reform regarding medical charges and pharmaceuticals

The government will shift the industrial structure of the pharmaceutical industry to an industrial structure with high drug discovery potential by promoting innovation etc. and reduce people's burden and improve medical quality based on the "Basic Policy for Fundamental Reform of the Drug Pricing System." From these points of view, the government will draw conclusions on the issues etc.¹⁸² that needed to be considered

¹⁸¹ Act on Assurance of Medical Care for Elderly People (Act No. 80 of 1982)

¹⁸² The issues include review for a prompt and effective implementation of cost effectiveness evaluation of pharmaceuticals etc., expansion of scope and size of implementation based on its framework, review of drug

following the previous reform of drug pricing and steadily promote reform. In addition, the government will promote the development of medical devices with use of AI and consolidation and rationalization of pharmaceutical regulations that will contribute to the promotion of pharmaceutical development.

The government will promote the research and development of bio pharmaceuticals and promote the research, development and dissemination of biosimilars,¹⁸³ confirming their effectiveness and safety etc.

With regard to dispensing fees, while verifying the impact of the FY2018 revision of medical treatment fee and considering the desirable family pharmacists' functions, the government will consider initiatives for the FY2020 revision of medical charges, including appropriate evaluation according to family pharmacists' functions in community, the promotion of structural change from drug-oriented services to patient-oriented services and appropriateness necessary for the change. In doing so, based on the actual dispensing situation and medical treatment fee at medical institutions and pharmacies, while verifying the meaning of technical fees such as dispensary fees, including the impact of the FY2018 revision of medical treatment fee and the actual situation of pharmacist work, the government will give consideration to an appropriate evaluation. With regard to medical charges, the government will continue studying the appropriate dispensing, including multiple drugs dispensing for elderly people and expenses of drugs for lifestyle-related diseases.

With regard to the promotion of the use of generic drugs, while ensuring stable supply and greater reliability of quality, the government will continue to strive to realize the 80 percent use of generic drugs by September 2020, strengthening incentives.

(For the review of benefits and burdens)

For the consideration of the desirable benefits and burdens of social security, based on the above-mentioned "basic concept" of the social security field, the government will promote comprehensive study in line with the Basic Policy 2018 as well as the reform time schedule and organize comprehensive and top priority policies of social security, including the desirable benefits and burdens, in the Basic Policy 2020.

pricing in comparing with prices of new drugs targeted for the price maintenance premium, question of whether or not to evaluate the innovation and effectiveness of additional indication etc., the desirable period until the start of gradual price reduction of long-listed drugs, and establishment of a specific target scope of drug price revision in the fiscal 2021.

¹⁸³ Pharmaceuticals that have the same or equivalent quality, safety and effectiveness to the biopharmaceuticals that have already been approved as pharmaceuticals containing new effective ingredients in Japan.

(2) Social infrastructure

(Basic concept)

Realizing “Smart City” by promoting digitalization and fully utilizing new technologies will serve to improve each regional productivity, convenience and comfort in the future. The government will position the realization of “Smart City” as the basic concept of community building in the Society 5.0 era and accelerate initiatives for the realization. For this purpose, the government will promote environmental improvement for the data-driven infrastructure improvement and city management and boldly taking in private funds.

Amid the decreasing population and aging infrastructure, while promoting the Compact Plus Network policy in line with the actual situation of each region, early development and utilization of express transportation networks that support regions, and maintenance and systematic updating of infrastructures that are indispensable for community life, the government will promote structural system reform responding to changing time, including reduction of lifecycle costs, through the promotion of consolidation and elimination of infrastructures and wide-area cooperation and through maintenance cycle based on the preventive maintenance.

Through utilization of new technologies, including data-driven infrastructure improvement and management, while aiming for the efficient public projects, including cost reduction, and encouraging private investment, the government will promote stable and sustainable public investment from amid-and long-term perspective, and promote strategic and systematic initiatives. In addition, to maximize the stock effects like productivity improvement, the government will promote the utilization of the existing infrastructures and non-structural measures and prioritize budget allocations.

Under the fiscal constraint, the government will secure diverse investment resources from fiscal investment and loan and utilization of private funds, utilization of public assets and reinvestment of its revenue and make the most use of private sector’s know-how. From viewpoints of the beneficiary-to-pay principle and ensuring implementation of measures based on inspection and appropriate maintenance, the government will consider securing financial resources.

Through these initiatives, the government will further strengthen wise spending, improve productivity, strategically prioritize to develop projects to ensure prosperous life, and pass on high quality assets to the next generation.

(Community building responding to the new era)

Within the fiscal 2019, the Ministry of Land, Infrastructure, Transport and Tourism will play the key role in organizing the whole picture of mechanism of sharing, storage, and

utilization of data that are held by the public and private sectors for the utilization of infrastructural data across the state government, local governments, and the private sector, and clarifying policies and their process of positive promoting data standardization and sharing from a perspective of promoting data utilization in many fields. In addition, the government will ensure data opening, three-dimensional data, and digital data¹⁸⁴ and promote the implementation of advanced technologies such as robots and AI. At the same time the government will promote initiatives¹⁸⁵ to make efficient maintenance and updating through data acquisition, updating and analysis in line with the development of infrastructure.

For the creation of “Smart City” and its development across the country that will resolve community issues with the use of new technologies like public and private data and IoT, all the government and ministries will work together to establish a public and private collaborative platform that aims at both public and private utilization data and creation of model cities, and its horizontal development. To promote the Compact Plus Network, the government will promote an integral formulation of the Location Normalization Plan and the Regional Public Transport Network Plan and promote the further improvement of the Location Normalization Plan and the review of the desirable City Planning Control System. The government will horizontally develop the review of city planning roads, providing guidance. In addition, the government will promote urban environment improvement, including repair and utilization of streets and squares and the use of water and greenery.

With a view to declining population and a shortage of engineers in municipalities, while developing and securing engineers, in case a municipality is unable to do by itself, alternative solutions will be promoted by a broader scope of municipalities or prefectural governments in addition to a broader improvement and maintenance of infrastructure among the state government, prefectural government and municipalities.

Furthermore, for the distribution and utilization of vacant houses etc.,¹⁸⁶ the government will promote the introduction of advanced initiatives by local governments and real estate organizations, support for their utilization or elimination, and information enrichment. At the same time, for the resolution and effective utilization of land whose owners are unknown, based on the basic policy,¹⁸⁷ the government will aim to ensure smooth enforcement of a new legal system. In addition, the government will promote initiatives within a certain time limit, aiming to realize necessary institutional revisions by 2020,

¹⁸⁴ Nation-wide development of paperless and tablet-based management of rivers controlled by the state government, and digitalization etc. of infrastructure ledgers by the state government and local governments.

¹⁸⁵ Demonstration of sewerage works have been implemented and such project will be horizontally developed in the future.

¹⁸⁶ As part of housing safety net, vacant houses can be utilized for young people and child-rearing generation. Vacant houses also can be utilized in cases of natural disasters.

¹⁸⁷ “Basic Policy on Promotion of Proper Use of Land Whose Owners are Unknown” (Decision by ministerial meeting for the promotion of proper use of land whose owners are unknown on June 14, 2019)

including measures to ensure appropriate utilization and management of land, measures to implement smooth and prompt cadastral survey, establish a mechanism to prevent the growing amount of land whose owners are unknown and a mechanism to smoothly and appropriately utilize land whose owners are unknown. At the same time, the government will promote initiatives for a smooth operation of the testament storage system, and to promote the improvement of maps held by registry offices, the government will promote consideration of new utilization measures¹⁸⁸ of the land registration system.

(Clarification of prioritized projects and productivity improvement etc.)

The government will perceive quantitatively and objectively the revelation of stock effects after implementing projects, archive devices and lessons in improvement of the projects and promote the utilization of these findings for a PDCA cycle. Through these initiatives, the government will clarify prioritized projects, including environment improvement for foreign tourists, including strengthening supply capacity looking ahead of the target figure of inbound tourists in 2020 and strengthening global competitiveness.

Aiming at 20 percent improvement of productivity at construction sites by the fiscal 2025, the government will promote labor-saving, the reduction of the number of construction days by promoting i-construction and initiatives to improve productivity, including cost reduction with the use of construction machinery. According to the reform time schedule, the government will grasp the effects regarding production improvement, study the process for the achievement of KPI and establish KPI.

In addition to that, based on the new Three Acts to Secure Leading Workforce,¹⁸⁹ the state government, prefectural governments and municipalities will work together to equalize construction periods,¹⁹⁰ in order to secure human resources and construction equipment and materials, and promote the improvement of construction rate. In order to secure leading workforce at construction sites, the government will promote improving workers compensation and reform of workstyles and productivity improvement.

(Promotion of PPP/PFI)

Through more active utilization of private funds, the utilization of the existing public assets, the establishment of a mechanism to reinvest profits, the government will

¹⁸⁸ For example, it is newly approved for local governments that implement cadastral survey to apply for land registration.

¹⁸⁹ Act on Partial Amendment to the Construction Business Act and the Act on Promotion of Proper Bidding and Contracting in Public Construction Projects (Act No. 30 of 2019) and Act on Partial Amendment to the Act on Ensuring Quality of Public Construction Projects (Act No. 35 of 2019)

¹⁹⁰ Utilization of Act to assume debt and consolidation by region of order projection by the state and local governments.

fundamentally expand the utilization of private funds and know-how for infrastructures and public services. For this purpose, based on the Follow-up of Growth Strategy” and “Action Plan to Promote PPP/PFI projects,”¹⁹¹ the government will intensively promote various PPP/PFI projects. With regard to the water and sewage concession, relevant ministries and agencies work together to support local governments that take initiative to start the projects, and horizontally develop their knowhow. In addition, aiming for the management independence of airports in deficits, while maximizing the value of airport management right, the government will promote the introduction of concession to all airports in principle, including airports established and managed by local governments. Based on the results of verification of cases of utilizing the PFI method for management of prisons etc., the government will proactively utilize PPP/PFI for all public services, including building local government buildings.

In addition to support for PPP/PFI, implemented by local governments with the population of 200,000 or more, including the study of effectively prioritized operation, the government will strengthen support for the development of specific cases, including support for initial investment like expenses of feasibility study and formation of a platform where local companies to participate. At the same time, the government will put in place measures that facilitate local governments to take PPP/PFI, including expansion of subsidies and grants on the condition that they are required to preferentially consider the introduction of PPP/PFI. In order to promote the project formation in local governments with a small population of less than 200,000, and in order to promote local companies’ participation in the project, the government will encourage local governments across the country, local companies, local financial institutions to participate in the local platform.

In addition, in order to proactively introduce PPP/PFI into infrastructures that have difficulty in generating cash flow, the government will promote specific study on the private sector’s technologies and knowhow, establishing management right of services sold to the public sector and utilizing comprehensive contracting for multiple years and broad areas.

(Fundamental review of systems in response to the declining population era)

It is important to take necessary measures with a view to around the mid 2040’s when the number of elderly people reaches the peak. The government will promote consideration of fundamental review of systems etc. in response to the declining population era for building a sustainable community, including the following items.

¹⁹¹ “Action Plan to Promote PPP/PFI” (Revised version of 2019) (Decision by PPP/PFI Promotion Meeting on June 21, 2019)

The government will study the measures to increase revenues from public infrastructural assets and consider systematic utilization measures for necessary reinvestment in the future. The government will promote further utilization of private funds for the development of public infrastructures, including the development of interchanges, connecting express ways and private facilities, whose initiatives were taken by and costs were paid by the private sector. Furthermore, the government will promote the study on measures to utilize private funds and knowhow using a leasing method and reduce costs of assets held by the government. In addition, the government will promote consideration of the desirable public infrastructure under the depopulation and population decline.

(Optimization of public stock)

The government will ensure a long life of the public stock by efficiently and effectively responding to aging facilities, including local independent projects, and promote consolidation and elimination of public facilities based on the concept of Compact Plus Network in line with the condition of each region.

The competent ministries of infrastructures will publish a mid-and long-term projection of maintenance and updating costs of infrastructures, including effects of efficiency from extension of life span. At the same time, to steadily encourage local governments to publish projection of maintenance and updating costs within three years that is set forth in the New Plan to Advance Economic and Fiscal Revitalization, the government will provide necessary support, including provision of a standard calculation method. In addition, to ensure the “individual facility plan” to be formulated by the fiscal 2020, the government will take necessary measures and the competent ministries will inspect the status of consolidation, restructuring and abolishment every fiscal year based on the individual facility plan and conduct follow-up.

The government will further enhance the content of visualization, like the status of formulation by local government, including public corporations’ facilities, in the “comprehensive management plan for public facilities” and presence/absence of measures to extend life span by local government in the individual facility plan and aim at horizontal development of advanced and good practices. In addition, the government will promote nation-wide development of advanced and good practices through the National Council for Infrastructure Maintenance. Based on the individual facility plan, the government will review and enhance the “Comprehensive management plan for public facilities” by the fiscal 2021.

(3) Local public administration and fiscal reforms

(Basic Concept)

It is important that Japan restores regional economies that have individuality and dynamism, while at the same time handing down sustainable local government finance structures to subsequent generations. This will be done by means of promoting regional reinvigoration; correcting the over-concentration towards Tokyo; and encouraging flows of people, goods, and money from Tokyo to local regions. Looking ahead to the arrival of the age of “Society 5.0” and population decline, the government will consider how local public administration and finance should be from the perspective of starting to cope with various issues which will become visible by 2040 now, and implement the initiatives that will be needed for this. It will also proactively work to address expenditure reforms over which the national and local governments are in sync, and work to improve efficiency¹⁹².

Specifically, local government expenditures efforts will be made based on the benchmarks¹⁹³ set in the New Plan to Advance Economic and Fiscal Revitalization to accelerate and expand upon expenditure reforms that are in sync with the initiatives of the national government. This will lead to constricting the issuance amounts for extraordinary financial measures loans and other forms of debt, efforts to repay said loans and other forms of debt, to achieve fiscal consolidation.

Additionally, in order to cope with the population decline, the government will proactively promote a shift to a highly convenient “Next Generation Administrative Services” which is provided the perspective of the residents through local governments’ operational reforms and thorough utilization of new technologies. At the same time, the government will provide support to local governments which are proactive in streamlining spending, etc. and are making specific efforts. It will also increase their motivation to reform and provide backing for the dissemination of highly effective advanced and excellent case examples by means of promoting visualization, by way of example.

The government will continue to respond to issues such as the increased social security related expenditures and the increased demand for new services under the trends of declining and aging population. It will also work on establishing local tax structures with

¹⁹² The majority of local government expenditures consists of spending that is legally mandated and subsidized projects from the national government. As a result, soundly implementing the expenditure reforms of the national government, such as overhauling institutions, is crucial when it comes to expenditure reforms for local governments. Various governmental ministries are working together to promote institutional reforms on the basis of the actual conditions for such applications by local public organizations.

¹⁹³ Regarding local government expenditures which will be controlled in line with the efforts of the central government, the total amount of general revenue sources which would be necessary for stable fiscal management of local governments including those receiving local allocation tax grants, shall be maintained substantially at the same level as in the FY2018 Fiscal Plan of Local Governments until FY2021, and not below.

minimal maldistribution of tax sources which offers stable tax revenue, and on improving the sustainability of the local public administration and finance, so that local governments can engage in administrative and fiscal management with more independence and a greater degree of freedom. The government will ensure stable administrative and fiscal management for local governments. It will also proceed with reforms of local public administration and finance, such as local allocation tax schemes, from the aforementioned perspectives.

(Establishing sustainable local public administration and finance structures)

Under the trends of declining and aging population, the relevant government ministries and agencies will proceed with creating and publishing the outlook for spending to maintain and upgrade infrastructure, including the effect of improved efficiency due to extended operating life. Additionally, based on the discussion on the outlook for social security, the relevant governmental ministries and agencies will work together to verify future trends and review the necessary response measures regarding spending and institutional challenges related to areas like medical and long-term care, education and children/child-raising, and the infrastructure for maintaining lifelines, with this including non-subsidized services by local governments.

Looking ahead to the population decline and lack of technicians, etc. in municipalities, the government will promote a variety of broad-based partnerships across every administrative sector with a view towards improving efficiency when it comes to administrative costs. Moreover, the government will promote the use of institutions related to partnerships and complementarity between local governments with less population and limited administrative and financial capabilities and core cities and prefectures in the areas surrounding them. The government will support broad-based partnership efforts made by the regional collaboration among cities and urban areas, and by the settlement and independence areas, while promoting the deepening of the efforts in individual areas by providing information on case examples. In light of the fact that the state of progress on municipal mergers differs across each region according to the actual circumstances surrounding local public organizations, the government will steadily promote initiatives to provide public services over a wider area and in a joint manner.

The government will continue to ensure stable administrative and financial management on the part of local governments, and improve the degree of freedom for subsidies based on the actual circumstances with said governments so that new ideas and ingenuities in local regions can be leveraged. Additionally, the government will specify subjects and processes by the end of 2019 after grasping challenges in order to ease requirements, simplify procedures, and review the subsidy unit cost, etc. in accordance with the actual

circumstances. The government will review how the administrative and financial institutions of local public bodies should be structured in response to the changing demographics in the future, including how standard financial requirements should be handled, while taking into account the discussion of the 32nd Local Government System Research Council. What is more, from the perspective of leveraging taxation autonomy further, the government will promote initiatives to secure financial resources unique to local governments, and to use these to improve the administrative services that said local governments provide on their own, by offering support to local organizations such as providing information.

Financial sources generated by the new measures in the imposition of taxes on local corporations to correct the maldistribution of tax sources (the amount generated by organizations no longer receiving allocation tax) will be utilized fully for local regions. This will be achieved by posting necessary expenditures to the Fiscal Plan of Local governments so that local regions can feel the effect of the correction of maldistribution.

(Reforms of local allocation tax and other fiscal systems of local government)

The government aims to enhance the support structure for local efforts that are proactive and are working to take specific actions to promote expenditure reforms and regional revitalization, as well as to improve operating efficiency. The government takes this perspective, and for the expense on Special Measures Program Costs for Population Decline under the expense on Overcoming Population Decline and Vitalizing Local Economy in Japan, it aims to set allocations that reflect the results to 50% or greater in response to the achievement status for the results of initiatives based on Regional General Strategies. In preparation for formulating the 2nd-phase general strategies for Overcoming Population Decline and Vitalizing Local Economy in Japan, the government will assess the effects of the overall program on regional revitalization related measures up to now. It will also enhance incentives for support measures from the perspective of further enhancing support for local governments which proactively work on important issues, and set KPIs with an aim to achieve specific results. Concerning various measures associated with the expenses related to priority issues¹⁹⁴, the government will take necessary measures, taking into account the identification and visualization of the outcomes of local governments' efforts up through the previous fiscal year, and the consideration of ways to implement the related measures in the following fiscal years.

For the outsourcing of over-the-counter operations, taking into account the reasons for its slow progress, the government will strengthen initiatives for making use of local incorporated administrative agencies, expanding the scope for and nationally deploying

¹⁹⁴ Items of expense used to calculate the local allocation tax for each local governments.

of standard outsourcing specifications, and more. For other operational reforms, it will also proceed with its efforts in accordance with the reform time schedule. In doing so, the government will bear in mind the fact that operational reforms are designed to enable local governments to continue providing administrative services of an even higher quality in an efficient and effective manner. Regarding the Subsidies for Regional Reinvigoration, the government will reinforce their effects by assessing the effects of individual and overall programs. The results of these operational reform initiatives and so forth will be properly reflected in the Fiscal Plan of Local governments and the basis for calculating standard financial requirements while ensuring that this does not undermine the local governments' motivation to reform. The government will also consider the expansion of regional fiscal measures for local governments which proactively work on programs effective in solving regional challenges such as broad-based, mutual collaboration programs and promotion of smart cities.

(Fundamental managerial reforms for public enterprises, the third sector, etc.)

By expanding the application of public enterprise accounting to bodies overseeing populations of less than 30,000 people, the government will further promote the awareness of operating status including assets in a comparable manner. By means of formulating managerial strategies for public enterprises and going through the PDCA cycle, among other means, and in accordance with the reform time schedule, the government will also promote the visualization of income and expenditures, as well as manager information. Furthermore, the government will accelerate the fundamental reforms such as careful scrutiny and reassessments of transfer standards, doing away with projects, privatization, extending coverage areas, and making use of outside knowledge. Together with this, the Ministry of Internal Affairs and Communications will forcefully promote progress on reforms and quantitative determinations of their results, and will encourage that the managerial foundations of public enterprises be further strengthened and their management improved. At the same time, its publication which should be easily compared with the complete table for management comparison analysis will be examined as it is also useful to review their abolishment or privatization. Based on the new road map for sewage and small water supply systems, the government will further promote the application of public enterprise accounting to bodies overseeing populations of less than 30,000 people, while promoting the consideration of shift to public enterprise accounting in other operations as much as possible. Taking into account the progress of these efforts, the government will further promote the managerial reforms for public enterprises, including the review of how future public enterprise system should be structured. For the third sector with high financial risk, the government will promote initiatives based on the policies formulated and announced which are designed to ensure the sound management by relevant local governments before the end of FY2018, and it will grasp and announce

their progress starting FY2020.

For water supply and sewage systems, the relevant government ministries and agencies will work together to ensure sustainable operation. To that end, they will promote the formulation of a plan to promote the expansion of the systems' coverage area in individual prefectures. They will also grasp and announce the progress of formulation, and will promote efforts such as expansion of the systems by implementing support measures for initiatives based on such a plan. The government will also announce improvements to the efficiency of expenditures from advanced case examples and the results this has had on income and expenditures, while also promoting the adoption of diverse PPP/PFI, moves to expand their coverage area, and partnerships between them. In addition, the government will continue to work on the reorganization of and creation of networks among public hospitals in order to intensively promote reforms until FY2020. Furthermore, the government will quantitatively grasp the progress of managerial reforms and consider necessary initiatives.

(Visualization, and dissemination of advanced and good practices)

The government will continue to work on the visualization of the non-subsidized services (soft aspects) of local governments with a corresponding relationship to the general administrative expenses (individual) in the Fiscal Plan of Local governments, including the connection with laws and ordinances, while giving consideration to the issues revealed by the trial survey¹⁹⁵. Simultaneously, the government will consider reducing the operational burden on local governments. The reduction will be achieved by steadily working on the optimization of the expenditure classification and improving the allocation accuracy of expenditure classification in the trial survey, as well as by utilizing ICT. Furthermore, in line with the reform time schedule, the government will steadily work on the improvement of asset management by the visualization of local public-sector accounting through uniform standards, the visualization of the differences and corresponding relationships between the individual revenue and expenditure items in the Fiscal Plan of Local governments and its financial results, and the visualization of the local governments' funding (including the creation of itemized lists).

In order to promote the residents' awareness and forward-thinking behavior about the operational reform of local governments and regional issues, the government will work to improve and expand the functions of the visualization database so that horizontal comparison among similar organizations can be made and chronological changes can be grasped. It will also disseminate information strategically.

¹⁹⁵ How the establishment of expenditure classification should be handled, improving the allocation accuracy of expenditure classification, the necessity for system upgrade, local governments' administrative burden and the costs associated with their system upgrade, etc.

(4) Education, science and technology

(Basic Concept)

Based on the New Plan to Advance Economic and Fiscal Revitalization and the reform time schedule, the government will execute reforms methodically. In an aim to improve efficiency of the budget and the quality of education in the face of the decreasing birth rate, the government will proceed with the utilization of external resources in education policies, thorough implementation of PDCA cycle, and enhancement of strategically focused financial support which corresponds to quantitative results of education and research, etc.

With respect to the national university corporations as the hubs for producing innovation, designated national university will take the lead to push through with drastic reforms as expeditiously as practicable, which will allow for independent, individualistic and strategic university management which compares that of world's leading universities. Thus, in order to ensure free and fair competition to achieve higher levels of education and research, the government will redefine autonomous contractual relationship with national universities and reexamine a legal framework that is befitting to truly autonomous university management. Simultaneously, with respect to the current "National University Corporation Evaluation," "Evaluation by organizations certified by the Minister of MEXT" and "Priority Assistance Evaluation," the government will work to fundamentally simplify them, including their elimination. By doing so, the evaluation of the results of education and research will shift to a strict and objective one which includes the results of the mid- and long-term efforts. Furthermore, the government aims to allow presidents and deans to manage their universities at their discretion, granted that they have been selected based on objective standards on their qualities and skills, and in compliance with laws and not by discretionary voting. To this end, the government will promptly develop various systems such as flexible tuition fee system and flexible enrollment figure, a system which enables universities to secure their own funding. Additionally, universities will promptly establish a global standard skills and performance evaluation system which can attract globally-minded talent, along with a flexible compensation structure for it. Together with this and taking into account that the English has become a common language in the modern world, universities will aim to promptly realize education and research where English is used on daily basis so that they can truly rival the world's universities.

The government will also work to improve the quality of budgets through the promotion of solving social issues by producing innovation and EBPM in science and technology policies. By having both the public and private sectors promote research and development, the government aims to realize the establishment of a Society 5.0 and an innovation

ecosystem in a way which will contribute to the improvement of the nation's quality of life, which in return leads to the "creation of a world-class innovation-producing nation."

(Improving the efficiency of budgets based on the advances in the decreasing birth rate, thorough implementation of PDCA cycle, raising the quality of education, etc.)

Based on the "Third Basic Plan for the Promotion of Education," the government proceeds to build a structure which establishes an effective, evidence-based PDCA cycle for overall educational policies. The government will conduct a survey on university students to conduct high-quality empirical research and to develop objective evidence. The survey will give the government to a grasp of the results of education in an objective and quantitative manner, such as the students' circumstances after graduation, study time and study results, skills and added-value they acquired while enrolled. With this knowledge, the government will work to conduct effective and efficient policy-making based on evidence. By building consortiums of local governments and research institutions, the government will proceed to promote the smooth use of the data possessed by local governments, such as that on scholastic ability throughout Japan and surveys on the state of learning, by researchers. Such data will also be leveraged by the local governments in their educational policies. This means the government will be promoting the development of a PDCA cycle in educational policies not only at the national level, but also at the local government level. Simultaneously, the government will make the national financial support a structure which will be implemented in accordance with the local government's reform efforts and their results.

With respect to the management expense grants for national university corporations, the government intends to provide support to universities doing their best by methodically expanding the allocation ratio and redistribution rate based on results of education and research measured by using objective and common indicators. At the same time, the government will enhance strategically focused allocation of subsidies to private universities to assure the quality of education and to strengthen their management power. Additionally, in order to accelerate the national university reform, the government will formulate a university governance code, implement a reform of human resources and salary system and financial management, and enhance a structure of rigorous evaluation and resource distribution. Furthermore, in order to enable national universities to secure financial resources through their own efforts and effectively utilize them in their education and research, the government will help them obtain diverse funds through establishing a structure for them to jointly manage surplus funds, easing regulations related to tuition fees for international students, promoting large-scale joint research, and increasing donations.

(Improving the quality of budgets by producing innovation and promoting EBPM in science and technology policies)

The government will promote science, technology and innovation policies based on a new strategy formulation process¹⁹⁶. In particular, both the public and private sectors will promote research and development which will help solve social issues such as countermeasures for lifestyle-related diseases and dementia, disaster prevention and reduction, regenerative medicine, genomic medicine, AI, quantum technology, innovative environmental energy, etc. Simultaneously, the government will proceed with further innovation in its programs and institutions, etc.

The government will promote development of a foundation for EBPM in science and technology policies, while working to improve the quality of budgets through such measures as the visualization of the costs and effects of science, technology and innovation policies including research funds and research findings.

Simultaneously, the government will prioritize support for young researchers in order to improve human resources at universities and research institutions, which are an important source for driving the growth in the age of Society 5.0. From the perspective of achieving a more multilateral utilization of such human resources through industry-academia partnerships and promoting open innovation, it will also collect information about researchers, research accomplishments and findings of universities and research institutions effectively, and build a structure to utilize such information in an integrated and comprehensive manner.

In the interest of efficiently implementing the budget, the government will work to utilize further private-sector funds in research and development, strategically promote large-scale research facilities including international those leading the exploration of the world's academic frontier¹⁹⁷, open up large research institutions to common use among industry, academia, and government to the utmost extent possible. It will also promote large-scale research institutions which induce private-sector investment through a public-private cooperation structure. Furthermore, the government will promote the expansion of global research networks such as the enhancement of international joint research. Simultaneously, it will conduct an integral review of competitive research funding programs such as Grants-in-Aid for Scientific Research in order to promote challenging research which contributes to the cultivation of emerging and convergence field. The government will also promote the systematic shared-use of research facilities and equipment, etc., and develop support structures for research, with an aim to improve

¹⁹⁶ Based on the “Integrated Innovation Strategy 2019” (approved by the Cabinet on Jun 21, 2019)

¹⁹⁷ For large academic research projects on biology and medicine, particle physics, astronomy, informatics, etc., the Science Council of Japan is currently discussing them in an effort to develop the “24th Term Japanese Master Plan of Large Research Projects (Master Plan 2020).”

research efficiency of and secure research time, and to improve the research productivity.

(5) Tax reforms, scaling back government assets and liabilities

(Basic concept)

The government will maintain and promote sustainable economic growth despite the major changes taking place with Japan's economic and social structures, such as the rapid falling birth rate and aging population as well as changing work styles. In addition, it will proceed with an overhaul of the entire tax system from the perspective of constructing a stable base for tax revenue that will not impede economic growth. Furthermore, the government will promote the compression of government assets and liabilities at national and local levels.

(Tax system reforms)

For individual income tax and property tax, the government will continue to promote meticulous reviews of these by ascertaining the results of successive revisions. These will be based on perspectives like those for the work-style reform and by looking ahead to a 100-year life era, as well as improving redistribution functions, accommodating the increasing diversity of work styles, and preventing inequality from being fixed. Taking the diversifying life courses into consideration, the government will also proceed with a comprehensive reform of individual income tax in order to develop a fair structure to support in preparation for retirement. The government will proceed to review property tax, too, in order to build a structure neutral to the time for the transfer of property, bearing in mind to ensure equal opportunity.

The government will encourage companies to take initiatives to raise wages and improve productivity by taking advantage of growth-oriented corporation tax reforms that have previously been promoted. It will also conduct a necessary review of special measures concerning taxation by ascertaining their application status and policy effects every fiscal year.

The government will rebuild the international taxation system in response to structural changes in global economic activities as well as realities of multinational corporations' business, through implementing steadily recommendations developed by the "BEPS Project" based on international cooperation. With regard to issues related to taxation arising from the digitalization of the economy, the government will also proactively contribute to the discussion toward reaching a global consensus on a long-term solution. In addition, the government will promote further information sharing among taxation authorities in different countries.

The government will improve convenience concerning the payment of taxes to allow

taxpayers to file their taxes easily and accurately by making further use of ICT, etc. It will also promote digitization of tax procedures from the perspectives of cutting costs throughout society as a whole and improving corporate productivity, working on developing more sophisticated tax related systems. With the rapid development of globalization and ICT and the expansion of new economic activities, the government will strengthen measures of both the institution and execution in order to realize proper and fair taxation and to ensure credibility of the tax system.

3) Acceleration and expansion of policy efforts in expenditure reforms, etc.

The government will continue to accelerate and expand the initiatives conducive to changing the thinking and behavioral changes of the public at large¹⁹⁸, which are included in the “Basic Policy on Economic and Fiscal Management and Reform 2018.” Also, it will strengthen potential growth rate through such measures as improving the efficiency of the public sector, and work on curbing public spending while curtailing the downward pressure on the economy.

(1) Thorough implementation and expansion of “visualization”

Visualization serves as the driving force behind expenditure reforms. Each government ministry and agency will leverage the object data obtained through visualization, and grasp the costs and economic effects of the expenditure reform efforts in each area, in order to specify steps to build an effective PDCA cycle¹⁹⁹.

With respect to such important issues as prevention of the increased severity in lifestyle-related diseases such as diabetes, implementation of specific health checkups and healthcare advice, as well as cancer screening on people in their 40s and 50s, achieving its vision for community health care, eliminating extra-legal transfers to the National Health Insurance system, and preventing the need for long-term care, the government will work with individual ministries to leverage the Database of "visualization" of Economic, Public finance and living standards Index. It will also focus on visualization of such data as the progress comparison of visualization efforts among similar organizations, and by the end of FY2019, clarify the organizing processes of the efforts to solve issues. Furthermore, in order to enable local governments and residents themselves to identify,

¹⁹⁸ Initiatives to “incentives reforms,” for “visualization,” for the “dissemination of advanced and excellent practices,” to “industrialization of public services,” and “Business innovations utilizing technological innovation” designed to encourage forward-thinking behavioral changes.

¹⁹⁹ Set non-binding targets for policies through “visualization” [Plan]; promote behavioral change in the government, residents, local governments, etc. [Do]; assess the effectiveness of the policies by “visualization” of the outcomes [Check]; revise policies based on the assessment and set new assessment indicators (by “visualization”) [Action].

resolve, and make improvements on issues, the Ministry of Internal Affairs and Communications will thoroughly implement optimization of the expenditure classification in the trial survey of unique local project (soft infrastructure) and visualization of the state of management and asset of public enterprises.

Together with these efforts, the government will develop a “dashboard of indicators showing people’s well-being and quality of life (the dashboard),” which will visualize the structure of Japan’s economic society from the perspective of its peoples’ well-being, and incorporate these indicators into related KPIs in each area.

(2) Nationwide dissemination of advanced and good practices, etc.

Following the implementation of the Plan to Advance Economic and Fiscal Revitalization, initiatives on nationwide dissemination of advanced and good practices have been implemented steadily in numerous areas²⁰⁰ including disease prevention and health promotion. In order to enhance and expand such initiatives, it is important for the government to quantitatively grasp the economic effects of such initiatives, and present prescriptions to local governments based on their characteristics such as their scale and demographics. It is also important that by doing so, the relevant ministries and agencies get relevant organizations involved and disseminate effective programs nationwide strategically.

Thus, for the model projects underway by each ministry and agency, the government will follow up on the progress of initiatives²⁰¹ included in the “Basic Policy on Economic and Fiscal Management and Reform 2018,” and specify processes to enhance them by the end of the year. This will include measures, such as providing incentives and utilization of behavioral economics (“nudge theory” and setting defaults), and the timing of their implementation and developing KPIs. In addition, if individual government ministries and agencies are going to newly implement model projects etc. for expenditure reforms from FY2020, they will leverage expert insight from the projects’ designing phase, and the outcome of projects must be quantitatively assessed.

Furthermore, for model projects involving collaboration with local medical associations,

²⁰⁰ “Smart Project for Local Government Administrative Sectors” (developing standardized and efficient operational processes by harnessing ICT and AI); dissemination of advanced and excellent practices in preventing increased severity of lifestyle-related disease such as diabetes, as well as those in the metabolic syndrome health checkups and healthcare advice programs; dissemination of advanced and excellent practices in the “Individual Facility Plan” (public housing, government buildings and facilities, airports, railways, ports, parks, etc.)

²⁰¹ The government will quantitatively grasp, evaluate and publicize the effects of streamlining of spending and economic effects, and for projects with strong outcomes the ministries and agencies in charge will be responsible for advancing strategic nationwide dissemination and following up on the state thereof. The results of model projects implemented by local governments will be grasped, evaluated, publicized, and disseminated in a similar manner.

etc. such as those for preventing increased severity of lifestyle-related disease such as diabetes, and specific health checkups and healthcare advice programs, as well as programs effective in standardizing operating procedures and cutting cost by harnessing ICT and AI, the government will create develop specific measures, timing and KPIs. And in collaboration with the initiatives of the Nippon Kenko Kaigi and the National Governors' Association ²⁰², the government will strategically disseminate the aforementioned model projects and programs nationwide.

(3) Incentive reforms

In order to further develop and expand incentive reforms, the government will appropriately implement the assessment of the effects of incentive measures. Based on the assessment, it will consider necessary responses at the Council on Economic and Fiscal Policy in order to develop more effective incentive structures. For the incentive reform initiatives incorporated in the reform time schedule, individual ministries and agencies will collect their data and work on assessing their effects with academic experts. After reporting the data and assessment effort to the Committee for Promoting the Integrated Economic and Fiscal Reforms, the government will incarnate them into the reform time schedule, and create a PDCA cycle for incentive reforms.

²⁰² For instance, nationwide dissemination of an initiative by Saitama prefecture, where the prefecture, the National Health Insurance Organization, and the medical association work in collaboration to prevent increased severity in lifestyle-related diseases such as diabetes.

Chapter 4 Short-term principles in economic and fiscal management and guiding principles in budget formulation for FY2020

1. Short-term economic and fiscal management

1) Coping with the consumption tax rate hike

In the face of the consumption tax rate hike to 10% on October 1, 2019, the government will implement appropriately following each measure as well as temporary special measures of FY2019 including disaster prevention/reduction and promotion of national resilience. The government will strive to level the demand fluctuations around the time of the consumption tax rate hike ensuring that the tax hike will not affect the recovery trend of the economy.

(1) Measures to smooth demand fluctuations

In order to allow businesses to flexibly set prices around the time of the consumption tax hike at their discretion, the government will publicize “Setting the Prices in Response to Consumption Tax Hike (the Guideline)”²⁰³ which has been developed based on the case studies of other nations.

At the same time, the government will take every possible measure so that subcontracting small and medium-sized enterprises (SMEs) will not be refused to shift the consumption tax by their clients. This will include monitoring and policing the act of refusing to accept the shifting of the consumption tax, and efforts to give guidance to businesses and ensuring their thorough understanding of the practice.

Through the point reward program for cashless payments²⁰⁴, premium voucher program²⁰⁵, and tax and budgetary measures on durable consumer goods (automobiles and housing), the government will strive to level the demand fluctuations around the time of the hike, and encourage and support consumption. Additionally, it will forcefully implement publicizing these measures so that there will be not confusion among businesses, and so that consumers can make purchases with peace of mind.

²⁰³“Setting the Prices in Response to Consumption Tax Hike (the Guideline)” (jointly published by the Cabinet Secretariat, the Fair Trade Commission, the Consumer Affairs Agency, the Ministry of Finance, the Ministry of Economy, Trade and Industry, and the Small and Medium Enterprise Agency on November 28, 2018)

²⁰⁴ For the limited time of nine months from October 2019 to June 2020 just before the Olympic and Paralympic Games, the government will provide support to small and medium-sized enterprises (SMEs) and microenterprises by way of refunding 5% (or 2%) of purchase price in reward points point when consumers make cashless payments. (So-called “point reward program.”)

²⁰⁵ Issuing and selling premium vouchers which can be used from October 2019 to March 2020 to people exempt from residential taxes and to child-rearing households with small children under the age of 3 (Up to 25,000 yen per person (5,000 yen in premium)).

(2) Implementation of the reduced consumption tax rate schemes

In the face of consumption tax hike, and out of consideration for low-income households, a reduced tax rate will be introduced to food and beverages except for alcoholic beverages and dining out, as well as to newspapers published more than twice weekly and subscribed. The government will respond carefully by providing individual consultation to ensure the people's thorough understanding of the system along with further promotion for the preparation by support to incorporate the scheme in cash register, etc., and take every measure including developing necessary structures in order to achieve smooth implementation of the schemes and their optimized and stable operation.

2) Short-term economic and fiscal management

In order to maintain growth and realize the virtuous cycle of economic revitalization and fiscal consolidation, the government strengthen economic growth by boosting potential growth rate. To this end, it will realize Society 5.0 and further stimulate physical and human resources investments. Additionally, through the initiatives to increase household income such as raising the minimum wage, and efforts to ensure positive flow of virtuous cycle in local regions, the government will aim to expand the virtuous cycle of growth and distribution. Furthermore, it will respond to the concern about the future by promoting the social security system for all generations and through the efforts with a view towards the sustainability of Japan's fiscal management.

The government expects that the Bank of Japan will pursue monetary easing under its price stability target of two percent, taking account of developments in economic activity and prices as well as financial conditions, and achieve this target at the earliest possible time.

2. Budget formulation for FY2020

- (1) Based on the degree of the impacts of the consumption tax rate hike on the demand fluctuations and the latest economic conditions, etc. the government will take the appropriate-scale temporary special measures in the initial budget of FY2020 , separately from the policy of continuing expenditure reform efforts. The specific content of these measures will be considered during the process of budget formulation for FY2020.
- (2) The government will closely watch the downside risks originating from the overseas economies to grasp their effects on economy and finance rapidly and, in the case where those risks materialize, implement flexible macro-economic policies without hesitation.

- (3) Based on the Basic Policy on Economic and Fiscal Management and Reform 2018 and this basic policy, the FY2020 budget will steadily promote the Integrated Economic and Fiscal Reforms, and continue to formulate a budget in compliance with the benchmarks set in the New Plan to Advance Economic and Fiscal Revitalization.
- (4) The government will promote focused budget allocation to expenditure reform initiatives which are conducive to changing the thinking and behavioral changes of the public at large, such as reforms for next-generation administrative services, and thorough implementation and the expansion of “visualization.”
- (5) In order to improve the effectiveness of PDCA cycles, individual government ministries and agencies will conduct a thorough review of administrative operations in all areas of expenditures. They will also promote EBPM, and work on improving the quality of budgets and on assessing their effectiveness.