New Economic Policy Package

December 8, 2017
Cabinet Decision

“New Economic Policy Package” is as described in the Attachment.
New Economic Policy Package

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Chapter 1  Introduction

By continuously shooting three “arrows of reform” under Abenomics for the past five years, Japan has managed to break through the stagnant economy. Amid a situation where Japan has got “no longer in a period of deflation” in a short period of time since the change of government, the nominal GDP has registered a record high with the real GDP continuing to show positive growth and the corporate profits marking a record high level. The employment conditions, which are most important for people’s lives, have significantly improved as well. The number of employed people has risen by 1.85 million. The active job openings-to-applicant ratio stands above 1.0 times in all 47 prefectures for the first time in history and the active job openings-to-applicant ratio for regular employees stands above 1.0 times for the first time since the investigation started.

The key to ensure this economic growth path and achieve a sustainable economic growth is to cope with the falling birthrate and aging population.

In order to tackle the biggest challenge of falling birthrate and aging population, the government will promote both supply system innovation and human resources development revolution as the two wheels on an axle towards 2020. The government will regard leading the “Supply System Innovation” which is gaining momentum in the world and realizing this initiative first in the world as the medium-term challenge by FY2020, and making up a period of three years as intensive investment period, will work on its realization. Although the “Human Resources Development Revolution” is a long-term challenge, the government will lay the foundation for creating a new mechanism beyond the confines of the conventional institutions or practices by FY2020. The financial resources to support the initiative will be secured by the increased revenue from the consumption tax rate hike scheduled for October 2019 and it is possible to use the increased revenue generated throughout a year as its financial resources from FY2020.

The government will make use of the fruits of the economic growth, enhance the social security and build secure social infrastructures by promoting the supply system innovation and human resources development revolution. Under this infrastructure, the government will achieve further economic growth. It is essential to strengthen such virtuous cycle of growth and distribution and build a society in which all citizens including the youth and the elderly, women and men, people with disabilities and people with intractable diseases can lead their fulfilling lives and demonstrate their abilities to the full, that is, a society in which all citizens are dynamically engaged.

Under the determination that the challenge of falling birthrate and aging population can be overcome by blazing a trail for the future of the society in which all citizens are dynamically engaged, the government will remove various obstacles blocking our path one by one.

Pushing through the human resources development revolution and injecting the policy resources boldly into the child-rearing generation and children, the government will work to establish a social security system that accommodates the needs of all generations including the elderly and the youth, eliminate the concerns of the working-age generation about child-rearing and nursing care, and aim to realize the desirable birthrate of 1.8 and removing turnover for nursing care.

The government will attain the supply system innovation and realize innovations that will
dramatically push up productivity through the use of technologies such as artificial intelligence, robots, IoT, and so forth. The capital investment and human resources investment by corporations will be vigorously promoted, including the SMEs and small-scale entrepreneurs facing with the issues of labor shortages. By generally mobilizing all measures and pushing up the robust wage increases and investment, the government will endeavor to ensure the exit from deflation and aim to realize the nominal GDP of 600 trillion yen.

The government will establish the virtuous cycle of growth and distribution, where wealth generated by growth is widely and equally shared by the citizens and the growth is enjoyed by many people, and will achieve strong growth.
Chapter 2  Human Resources Development Revolution

Japan has been building a society of longevity with the longest healthy life expectancy in the world which is expected to be further extended. A study shows that half of the children born 10 years ago will live to 107 years old. In such coming 100-year life era, to build a society where all citizens from the youth to the seniors are dynamically engaged and play active roles, it is necessary to seamlessly provide high-quality education for citizens throughout their lives from the early childhood education to the school education (elementary, junior-high, and high school) at all three levels, higher education, and the re-education for working people and provide the recurrent learning opportunities for acquiring useful skills at any time while ensuring stable financial resources and make a major shift in the social security system from the present system that focuses on benefits to the elderly to the “social security that accommodates the needs of all generations” from children/youth to the elderly.

The key to make this happen is the Human Resources Development Revolution, that is, investment in human resources. The government has been working on the realization of a society in which all citizens are dynamically engaged and on the work style reforms, and has paid efforts on the “investment in human resources”. Revolution in human resources development towards the 100-year life era is vital part of the society in which all citizens are dynamically engaged, and such society can’t be built without the human resources development revolution.

The human resources development is the very driving force for opening the next era. The government will endeavor to push through the human resources development not restricted to the uniform concept in the past and transform Japan into a country filled with opportunities for everyone. In doing so, it is necessary to reach out to people who can’t stand at the start line due to various reasons.

1. Free early childhood education

(Role of early childhood education/nurseries)

The primary reason why the younger generations in her 20’s and 30’s don’t have ideal number of children is that “it costs too much to raise children and give them education” and there is a great demand for monetary support for education. Difficulty in balancing child-rearing and work and the high child-rearing/education costs place a burden on the child-rearing generation, which contributes to the falling birthrate in Japan. For this

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1 The National Institute of Population and Social Security Research “The 15th Basic Survey on Birth Trends (survey of couples)” (2015) asked the married couples whose intended number of children are less than their ideal number among the first-marriage couples with wives under 50 years old (response made by wives) the reasons why they don’t have an ideal number of children (multiple responses allowed) and 76.5% of wives under 30 years old and 81.1% of wives between the ages of 30 and 34 responded that “it costs too much to raise children and give them education”.

2 According to the Cabinet Office Survey on Attitude towards Marriage and the Family (FY2014), as the response to the question: “What do you think will encourage you to have more children?” (multiple responses allowed), “Subsidy for future education cost” comprises 68.6%, the largest proportion followed by “subsidy for kindergarten/nurseries” comprising 59.4%.
reason, it is important as a countermeasure for falling birth rate to expand the child-care support and take measures for the reduction of the burden including the provision of free early childhood education.

Moreover, the early childhood is an extremely important period for ability development, physical growth, character formation, cultivation of sentiments and morality and as with the primary role played by family and parents, the role of early childhood education/childcare is important. The early childhood education/childcare play an important role, not only development of cognitive abilities including knowledge and IQ, but also for cultivation of non-cognitive abilities including perseverance, carefulness, motivation, etc. In addition, at a time when the good communication skills and problem-solving abilities are increasingly important in today’s society where technological innovations such as artificial intelligence proceed and new industries and employment are created, the early childhood education is extremely important to acquire these skills and it is indispensable to improve the quality of the early childhood education and childcare.

Furthermore, some results of the world-renowned studies show that the preschool education offers significant benefits such as in the increase of future income and the decrease in ratio of people living on social welfare, and in many countries the initiative to provide free preschool education without income restrictions is being promoted.3

The Abe administration has been making efforts to promote phased-in free early childhood education since FY2014. It has realised free tuition at kindergartens and nurseries for children in households on social welfare and expanded the scope of the free day-care plan for the third and subsequent children has been expanded. From FY2017, in the households with exemptions from municipal residence tax, in addition to the third and subsequent children, the second child becomes eligible for free early childhood education program.

(Details)

In order to support the child-rearing generation and change the social security system dynamically into the one that accommodates the needs of all generations, the government will accelerate the provision of free early childhood education. Specifically, the government provide free early childhood education with all children between the ages of 3 and 5 who attend kindergartens and nurseries that are widely used. Regarding the kindergartens that are not under the Comprehensive Support System for Children and Child-rearing, from the standpoint of fairness, the fees up to the user burden under this system will be covered.

Regarding the scope of coverage for the free fees measure other than kindergartens and nurseries, the review committee will be set up to reflect the voices of professionals and the conclusions will be drawn by next summer carefully listening to the voices from the fields and the concerned parties from the standpoint of child-care needs and the fairness.

3 For example, in United Kingdom, France and South Korea, free early childhood education is provided without income restrictions. (In United Kingdom, the compulsory education is offered from 5 years old.)
As for childcare placement waiting lists, 90% of which are children under the age of 2, the immediate top priority is to eliminate the waiting lists of them including children between ages 3 and 5. To eliminate the childcare waiting list, the government will accelerate implementation of the Plan for Raising Children in Peace of Mind and steadily move forward with the provision of childcare for 320 thousand children by FY2020 aiming to eliminate the waiting lists as soon as possible while accurately grasping the current situation. Along with the efforts, provision of childcare will be taken forward for children under the age of 2 of households with exemptions from municipal residence tax and the scope of the coverage will be expanded to all children from the current eligibility limited to the second and subsequent children of the households with exemptions from municipal residence tax.

In addition, for households with children under the age of 1, the government will be engaged in various initiatives in a multi-layered way including improvement of the environment for a variety of working styles such as reduced work hours, efforts to encourage both female and male workers to take the childcare leave while encouraging companies to ensure smooth return to work, smooth ensuring of childcare services after the child-care leave, and promotion of the care of children with disease by continuously grasping the various voices of citizens and the institutional bottlenecks in an accurate manner to ensure work/life balance.

(Implementation schedule)

The provision of free early childhood education will be partially started from April 2019 in accordance with increase in revenue from the increased consumption tax rate and fully implemented from April 2020.

Also, regarding the support for development of early childhood children with disabilities (so-called daycare institutions for children with disabilities), provision of free education will be promoted. For children in need of medical care who require management of artificial respirators etc., the implementation of the model businesses that support acceptance is currently being promoted through relocation/dispatching of nurses. The government will further enhance these projects and deepen discussions on the method to provide medical care to make improvements. As for the kindergarten divisions of the Japanese schools overseas, the government will grasp their situation.

Continuously, from the viewpoint of coping with the falling birthrate and early childhood growth, the government will review further support for childcare for children under the age of 2 and early childhood education by extensively studying the instances of lowering of the compulsory education age and the provision of free early childhood education in foreign countries along with securing of the stable financial resources.

2. Elimination of childcare placement waiting lists

(Elimination of childcare placement waiting lists)

4 Children with disabilities such as those with artificial respirators attached who need medical care for leading an ordinary life
Elimination of childcare placement waiting lists is the imminent issue.

The government has just formulated the “Plan for Raising Children in Peace of Mind” to offer additional 320 thousand child care places that can respond to the female worker employment rate of 80% during the next five years from FY2018 to the end of FY2022. In order to realize the plan as quickly as possible, the government will bring forward the implementation of above said plan and offer 320 thousand places by the end of FY2020. There are opinions that the elimination of childcare placement waiting lists should be prioritized over the provision of free early childhood education. While efforts for the provision of free early childhood education will be made in phases from FY2019 onwards in accordance with the increase in revenue from the increased consumption tax rate, the Plan for Raising Children in Peace of Mind will be immediately conducted from FY2018 (next fiscal year). Together with this, further efforts will be made for the securing of childcare personnel and the improvement of the working conditions based on the wage gap compared to other industries. In addition to the wage increases on recommendation from the National Personnel Authority this year, further wage increase by 1% (equivalent to 3,000 yen per month) will be made from April 2019.

(After-school Child Comprehensive Plan)

The government will move forward the securing of about 300 thousand childcare places based on the After-school Child Comprehensive Plan by the end of next fiscal year, a year ahead of the initially planned schedule (end of FY2019). Furthermore, the government will consider the future direction based on the circumstance.

3. Free higher education

(Efforts in the past and basic concepts)

The higher education lays the foundations of knowledge of citizens and acts as the driving force for creating innovations and boosting national competitiveness. It is necessary to promote university reforms, equal access to education, improvement of the quality of education and research in an integrated manner and move forward with the enhancement of higher education.

As for the alleviation of the financial burden of higher education, the government has promoted the improvement of measures such as expanding the scope of tuition fee exemption, accelerating the shift for the student financial support system from the interest-bearing student loans to the interest-free loans so that all students in need can receive the interest-free loans and enhancing the relief measures when loan repayment becomes difficult by the expansion of the system of deferral of payment. Also, from this year, new grant-type scholarship has been established so that students with motivation and abilities don’t need to give up advancing to higher-level schools due to financial reasons and along with the newly introduced system of student loans repayable in line with income where monthly loan payments are determined in line with the borrower’s income after graduation which allows the borrower to make repayment at a reasonable pace. Moreover, as for the interest-free student loans, the government has effectively abolished the performance standard regarding the students in low-income households and
solved the problem of the students who are eligible but can’t get financing.

It is a proven fact that the final academic background causes a gap between people’s average wages\(^5\). It is also a fact that the rate of children in lower income households entering the universities is lower than the children of wealthy households. The government will be committed to creating a society where any children from a poor family can advance to specialized training colleges or universities if they have high motivation, to prevent the cycle of poverty and fixed inequity. The government will provide free higher education to children of poor income households and to children who are really in need of assistance\(^6\). To realize this, along with the upgrading and expansion of tuition fee exemption, the paid amounts of the grant-type scholarship will be significantly increased.

(Details)

From a viewpoint that supporting children in low-income households, promoting the increase in their income and eliminating the fixed inequity would be a solution to the low birthrate and in order that adequate support is provided to children who truly need support, the support measures will be restricted to children in low-income households.

First, regarding the measures for tuition fee exemption, the grants will be delivered to universities, junior colleges, colleges of technology and specialized training colleges (hereinafter referred to as “Universities, etc.”) so that students don’t need to pay tuition fees to the Universities, etc by themselves. As for children in the households with exemptions from municipal residence tax, they will be exempted from tuition fees if they choose to go to a national university. In case of choosing to go to a private university, students are exempted from portion of the tuition fees which equivalent to the amount of tuition fee at a national university added by a certain amount considering the standard of the average tuition fees of a private university. For university freshman, the admission fees will also be exempted\(^7\).

Secondly, regarding the grant-type scholarship, the grants will be delivered to individual students. Proper amount of grants that pays for necessary living expenses\(^8\) will be

\(^5\) According to the survey by the Japan Institute for Labor Policy and Training (2016), there is gap in lifetime earnings by some 75 million yen between people graduating from high school and those graduating from university/graduate school. According to the “2012 Survey on parents of high school graduates” (MEXT Grants-in-aid Scientific Research Report), while the rate of going to university is 27.8% in households with annual income of 4 million yen or less, the rate is 62.9% in households with annual income of 10.5 million yen or more.

\(^6\) Free higher education is applied to universities, junior colleges, colleges of technology and specialized training colleges.

\(^7\) The grants will be provided up to the admission fees of a national university.

\(^8\) From the standpoint of fairness compared with other students, the grants shall be provided within the scope of common sense. For example, according to the classification of expenses in the Student Life Survey for 2012 and 2014 by the Japan Student Service Organization, the textbook and other book expenses, extracurricular activity expenses, commuting expenses, food expense (limited to students not
delivered for students to be able to dedicate themselves to their studies. In addition, necessary measures will be taken if the students’ households undergo a significant change while in school.

Furthermore, to avoid the overall support (benefit) “cliff” and “gap”, the gradual support measures will be taken for children in the households close to those with exemptions from municipal residence tax.

(Requirements of students covered by support measures)

As for eligibility for support, the candidate student’s learning motivation as well as his/her academic performance in high school will be checked. On the other hand, after entering Universities, etc., certain requirements regarding the learning conditions and progress will be imposed and if such requirements aren’t fulfilled, the financial aid will be discontinued. Specifically, the financial aid will be discontinued depending on the credits acquisition status, GPA (average academic performance), status of disciplinary action for the student and the grant payment requirements including the above-mentioned items will be stipulated9.

(Requirements of Universities, etc. covered by support measures)

The goal of the support measures is to provide financial assistance to low-income children who are willing to study in Universities, etc. and to encourage these aided children to study hard and learn to become independent and play an active role in society by linking the studies at Universities, etc. with the employment or startup of business that will lead to a prevention of the fixed wealth inequity among generations. To achieve this goal, the universities covered by the support measure have to provide the following function; the pursuit of both academic research and practical education in a well-balanced manner to develop human resources who can play an active role in rapidly-changing society by both making using of their own features and advantages and responding to the needs of the society and industries. Specifically, the following are the requirements that should be met by the target universities: 1) Arrangement of courses by the teachers who have practical work experiences 2) The proportion of appointed outside board members exceeds a certain percentage10, 3) Strict academic record management and announcement based on

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9 For example, the following criteria are possible reasons for the cancellation of grants; 1) if a student acquires less than 60% of the required credit per year, or 2) if a student's GPA score is ranked in the lower 25% of the school, the university, etc. gives a warning to the relevant student and if the student gets a warning in succession, the grants will be discontinued, or 3) if a relevant student gets disciplinary actions such as expulsion from school, and school suspension, the grants will be discontinued. On such occasions, certain consideration will be paid regarding a temporary leave from school.

10 For example, the following criteria are considered: 1) Teachers with practical work experiences (including part-time teachers) are assigned to teach subjects with number of credits that account for 10% or more of the average number of credits required to be
the academic record evaluation standards. 4) Disclosure of financial and management information in accordance with laws and regulations. The guidelines based on the above-mentioned requirements will be formulated after careful deliberation among the relevant parties.

(Implementation schedule)
The above-mentioned free higher education will be implemented from April 2020. Moreover, regarding the details yet to be determined, the government will continue to review them before reaching a certain conclusion by next summer.

(Learning support for children in poor households)
The government will strengthen the learning support for children in high school generation including high-school dropouts and assist children in need of social care and children in households on social welfare to enter universities.

4. Substantive free education at private high schools

Regarding the realization the substantive free education at private high schools for households with annual income of less than 5.9 million yen (upgrading and expansion of the current High School Tuition Support Fund), the government will first secure the revenue source that can be appropriated by the revision of the current system and the budget through the change in the use of consumption tax. (Specifically, on a basis of the budget for FY2017, the revenue source will be secured for providing 1) substantive free education will be provided for households with exemptions from municipal residence tax, 2) A maximum of 350 thousand yen will be provided for households with annual income less than 3.5 million yen and 3) As for households with annual income less than 5.9 million yen, a maximum of 250 thousand yen will be provided).

Then, by FY2020 after the change in the use of consumption tax revenue, while the government overall securing stable revenue source continuously including the revenue source to be appropriated for the current system on normalized fiscal year basis, the government will realize the substantive free education at private high schools targeted for the households with annual income less than 5.9 million yen from the standpoint of providing wide range of educational opportunities for children despite their family financial conditions.

11 In-campus standards for objective and strict academic performance evaluation. For example, it is stipulated that you need to get a score of 90 or more at examinations and reports to get “Particularly excellent (S)” or your results are required to be ranked in the upper 20%.

2) 20% or more of the total appointed board members are occupied by the outside persons from industry, etc.

12 It refers to the case where the amount of the municipality tax less than 51,300 yen.

13 It refers to the case where the amount of the municipality tax less than 154,500 yen.
5. **Improvement of compensation for long-term care workers**

(Details)

In the 100-year life era, long-term care is a realistic and pressing challenge that we all face. The government has been promoting multilevel efforts towards preventing workers from leaving their jobs for nursing care by accelerating the improvement of the home/facility services and work environment that allow workers to take family care leave easily. The Abe administration intends to provide care services for at least 500 thousand elderly people by the early 2020s, and the greatest challenge is how to secure the long-term care workers. To secure the long-term care workers, the coalition administration of LDP and Komeito has realized the monthly wage increase by 47,000 yen, including by creating a mechanism for experience-based salary increases that improve monthly wages of long-term care workers by 10,000 yen on average in the budget for FY2017. To further improve the efforts for securing the long-term care workers, the government will endeavor to improve compensation for long-term care workers by focusing on the experienced and skilled workers.

Specifically, on the premise of allowing flexible application of this revenue for compensation improvement to that of other long-term care staff, the government will use public expenditure of about 100 billion yen for improving the compensation of those who have more than 10 years' work experience in any long-term service business facility on the calculation basis of increasing average monthly wage by 80,000 yen.

In the same way, similar compensation improvement will be realized for social workers for people with disabilities as with the long-term care workers.

(Implementation schedule)

The above-mentioned compensation improvement will be implemented from October 2019 in response to the revision of the remuneration accompanied by the consumption tax rate hike.

6. **Stable financial resources to realize the measures**

With the rapid progress of falling birthrate and aging population, it is urgent to implement these policies soon, however, we can never impose the government debt on future generation. Therefore, these measures will be implemented as soon as the stable financial resources are secured.

Striking a balance between the enhancement of social security and fiscal consolidation, the government will use the revenue sources from the consumption tax rate hike to 10% scheduled for October 2019 as stable financial resources. The estimated 5 trillion yen in revenue from the 2% consumption tax rate hike will be split between the social programs including alleviation of education burden, child-rearing support and securing of long-term
care workers, etc.\textsuperscript{14} and the fiscal reconstruction\textsuperscript{15} on 50-50 basis approximately. As for the former, approximately 1.7 trillion yen will be appropriated to the funds for free early childhood education, elimination of the childcare waiting lists through advancement of the Plan for Raising Children in Peace of Mind, improvement of compensation for childcare personnel, free higher education, and improvement of compensation for long-term care workers within this economic policy package. These policies will be implemented on the premise of the consumption tax rate hike to 10% scheduled for October 2019.

The purposes of use of the revenue from consumption tax, pursuant to the provision of the Consumption Tax Act that goes “The consumption tax revenue shall be allocated for covering the institutionally established social security benefits including pension, medical care and long-term care and the expenses needed for measures to cope with the falling birthrate” (Article 1, paragraph 2), is restricted to the four types of social security expenses (pension, medical care, long-term care and countermeasures to the falling birthrate). Regarding the above-mentioned 1.7 trillion yen allocated to this economic policy package, while it will be mainly expended for covering the expenses for free early childhood education, etc., with regard to the financial support for higher education, in order to contribute to the measures to cope with the falling birthrate, the financial support will be limited to the low-income families where costly tuition fees hinder improvement of birth rates.

Moreover, in the current Comprehensive Support System for Children and Child-rearing, because balancing work and childcare contributes to securing of the labor force and should be addressed by the entire society, the Children and Child-rearing Contributions made by the employers are allocated to the company-led childcare services, etc. Regarding the financial resources necessary for this economic policy package, from a broader perspective of supporting the child-rearing generations by the entire society and from a viewpoint of sharing the childcare burden between individuals and corporations, it is appropriate to request the business world to assume certain level of burden while revising the purposes of use of the revenue increase from consumption tax rate. For this reason, the government will increase the Children and Child-rearing Contribution by 0.3 trillion yen. The government will change the legally stipulated upper limit of the contribution ratio from 0.25% to 0.45% and allocate the increased amount of 0.3 trillion yen to the company-led childcare services (including subsidy for the burden on users in the company-led childcare services for children between the ages of 3 and 5 and children under the age of 2 in the households with exemptions from municipal residence tax after implementation of the free early childhood education) and operating expenses in childcare services (corresponding to children under the age of 2)\textsuperscript{16}, both of which are

\textsuperscript{14} “Etc.” means the social security enhancement measures that were planned to be implemented at the time of consumption tax rate hike to 10%, including the pensioners support benefits (around 1.1 trillion yen).

\textsuperscript{15} Reduction of debt to be imposed on the future generation and increase in expenditure regarding four social security expenses accompanied with consumption tax rate hike to 10%.

\textsuperscript{16} “Operation expenses in childcare (corresponding to children under the age of 2)” refer to the operation expenses in nursery schools, certified nurseries, small-scale childcare, family childcare, home-visit
necessary for realizing the Plan for Raising Children in Peace of Mind to be implemented from FY2018. For this reason, the government will submit the law revision bill of the Children and Childrearing Support Act to the next ordinary session of the Diet.

Furthermore, the government will consider the alleviation of the payment burdens of labor insurance premiums placed on the business sector by verifying the trend of the insurance finance. For SMEs, the government will consider the subsidy policies for the operation expenses of the company-led childcare services such as reduction of the portion of the burden.

7. Relevance to the fiscal consolidation

Since the revision of the purposes of use of the tax revenue generated from the consumption tax rate hike affects the periods for achieving a fiscal surplus in the national and local primary balance, it is difficult to achieve the goal of fiscal surplus in the primary balance for FY2020. However, the government will never give up on the fiscal consolidation and stick to its target for thoroughly and continuously making efforts to reform both revenues and expenditures and aim for achieving a fiscal surplus in the primary balance. To achieve this target, the government will announce the period of achieving a fiscal surplus in the primary balance and develop a concrete and highly-effective plan to support this in the “Basic Policies on Economic and Fiscal Management and Reform” for the next year upon closely examining the efforts for the integrated reform of finance and economy in the past.

8. Items to be discussed continually towards next summer

(1) Recurrent education

In the 100-year life era, a single-track life structure in the past that consists of schooling in the primary/secondary and higher education (high school and university) system, entry to company upon graduation, work until retirement and post-retirement life no longer works for everybody but it is important for individuals to redesign their life, choose a carrier in keeping with their lifestyle and acquire abilities and skills required in the new stage. Also, in face of technology progress such as advance in artificial intelligence, it is necessary to participate in re-learning activities over the course of their life. It is also necessary for the government to prepare a variety of support programs.

In order to build a society that offers opportunities for re-learning and starting over in life to everyone, including senior citizens, people from single-parent family, people who couldn’t complete compulsory education, people who didn’t advance to high schools and universities on their own will, people who left jobs due to childbirth and child-rearing, “freeters” (part-time workers without permanent jobs), NEETs, young people who have withdrawn from society and people with diseases and physical disabilities, the government will ensure the opportunities for re-learning and new challenges.

childcare and childcare in the company that are subject to the childcare benefits in accordance with the Act on Child and Childcare Support.
To realize this, looking ahead to the 100-year life era, the government will dynamically expand recurrent education and will review the measures for improving an environment that allows everyone to take on a challenge for new active opportunities at any age including carrier progression for the working generations, reemployment support for middle-aged people, use of a mechanism that approves the accumulated credits earned from various schools as graduation diploma as well as utilizing employment insurance system, towards next summer.

(2) Reviews by reference to the instances in foreign countries including HECS system
The government will continue to review the measures to provide equal access opportunities for middle-income class along with the university reform and improvement of quality of education and research by reference to the instances in foreign countries including HECS\(^{17}\) in Australia.

(3) Further realization of social security that accommodates the needs of all generations
Toward further realization of social security that accommodates the needs of all generations after the consumption tax increase scheduled for October 2019, the government will review the further measures required to cope with the falling birthrate along with the measures to ensure the source of its financing under the principle of “sharing the burden by across all the society” including the financial efficiency, utilization of tax, new social insurance systems and company contribution. In doing so, the government will keep in mind that it is currently requesting additional Children and Childrearing Contribution from the business sector and seriously listens to the opinion that the measure is imposing excessive burden upon the SMEs, etc.

9. Regulatory and institutional reforms, etc.
(1) Regulatory and institutional reforms based on the report from the Regulatory Reform Promotion Council
In response to the second report from the Regulatory Reform Promotion Council (approved on November 29, 2017), the government will work on the institutional reforms\(^{18}\) toward eliminating the childcare waiting lists including the prefecture-led strengthening of the legal framework for coordinating the use of childcare facilities beyond the boundaries of municipalities based on the imbalance in the number of children on waiting lists among the adjacent municipalities.

\(^{17}\) HECS is a higher education funding system in Australia where students don’t need to pay their tuition fees while in school and after graduation they are required to pay back a certain portion of the debt according to their payment ability.

\(^{18}\) Implementation matters in the second report compiled by the Regulatory Reform Promotion Council (approved on November 29, 2017)
(2) Foreign workers in the long-term care field

Under the Asia Health and Human Well-Being Initiative, the government will implement measures to permit status of residence (long-term care) to foreign workers who have practical experience in Japan for longer than three years through technical intern training in the long-term care field or as activity other than that permitted under the status of residence while studying in Japan, took the practical training, and pass the State Examination for Certified Care Workers, and develop the Japanese language learning environment overseas, and through these measures the government develop the environment in Japan and overseas toward accepting foreign workers in the long-term care field.
Chapter 3 Supply System Innovation

The emergence of Information Technology (IT) in the 1990s dramatically changed operation processes in every industry. The progress of business efficiency and labor-savings dubbed IT Revolution enabled the G7 countries to achieve a nearly 2 percent growth annually on average in productivity during the period from the 1990s through 2000s. However, while such technologies were spreading widely, the effect of productivity growth associated with greater operational efficiency gradually declined. In the 2010s, many developed countries saw their productivity growth remaining at a zero percent level with growing concerns of a long-standing stagnation.

On the other hand, the appearance of new innovations such as the Internet of Things, big data, robots, artificial intelligence (AI), has enabled us to solve various social problems including energy-related environmental constraints, producing many innovative businesses and services. It has a significant potential to revolutionarily boost productivity not only by achieving business efficiency and labor-savings, but also by creating innovative added values in the era of Society 5.0. Supply System Innovation is being well-noticed throughout the world. Aiming to achieve it in 2020 as a big target, Japan will take all the possible measures to realize it first in the world.

The Japanese economy has been closing gaps between supply and demand. To achieve further economic growth, there is a need to increase potential economic growth by taking supply-side measures. For this reason, leveraging record-high corporate profits, we need to proactively promote investments to increase productivity.

While disruptive innovations have been progressing in the world through the forth industrial revolution, the declining status of Japan’s innovative capability has come to the surface. In order to maintain and increase Japan’s global economic competitiveness in the future, it is necessary to accelerate developing systems for the societal implementation of Society 5.0, and to create a world standard innovation eco-system in response to disruptive innovations.

For this purpose, the government will steadily implement measures incorporated in the Growth Strategy 2017 and take all the possible measures, including bold tax reforms, budgetary measures, and regulatory reforms, for the next three years until 2020 as “period of supply system innovation and intensive investments.” Through these measures, we will aim to (i) double Japan’s average productivity\(^{19}\) growth of 0.9 percent for five years until 2015 increased by 2 percent annually, (ii) increase Japan’s capital investment amount by 10 percent by the FY2020 compared with the FY2016, and (iii) achieve more than 3 percent annual wage increase after the FY2018, so that we could realize supply system innovation. This could lead to motivation for every citizen of Japan to work, sustainable wage increases and getting out of deflations, increase Japan’s potential growth rate and strengthen our global competitiveness.

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1. Supply System Innovation of SMEs and small-scale entrepreneurs

\(^{19}\) Productivity as used here refers to labor productivity (actual GDP for an hour per person).
(1) Investment promotion by SMEs and small-scale entrepreneurs and improvement of environments to facilitate wage increases

- As drastic measures to realize supply system innovation of SMEs and small-scale entrepreneurs, including those facing harsh business environment and deficit-ridden enterprises, the government will take fixed-asset tax relief measures to make a strong push for new capital investments to increase productivity during the intensive investment period while considering local governments’ autonomy. At the same time, the government will expand budgetary measures for matters such as “subsidies for manufacturing, commerce and services” to support them intensively.

- Amid the severe shortage of workers, to provide a broader and stronger support to SMEs who are making efforts to make wage increase and human resource investments (provision of training for employees to learn new skills and opportunities for them to relearn), the government will take corporate tax relief measures to promote wage increase.

- The government will make a strong support for the installation of IT tools and cloud computing systems needed to increase productivity and visualize of IT tools and performances of IT businesses. Also the government will establish local support systems (platforms) such as management improvement support provided by closer support organizations. Through these measures, the government will aim to promote the installation of IT tools by about one million enterprises, accounting for about 30 percent of all SMEs and small-scale entrepreneurs, for the next three years.

- While promoting the National Movement for Productivity Improvement Promotion Council and utilizing results of local benchmarks and others, the government will involve relevant industry associations and support organizations such as local financial institutions to increase productivity through sharing best practices and other measures according to their industry and business categories

- The government will continue to consider measures to enhance flexibility and elasticity of SMEs’ budget execution.

(2) Intensive support for business succession

- It is expected by 2025 that the number of owners of SMEs and small-scale entrepreneurs who would be older than 70 will be 2.45 million, half of which 1.27 million owners have yet determined who will be their successors. This number is equivalent to about 30 percent of the total number of Japanese companies. If the current situation were left as it is and their business closure increased rapidly, there would be a risk of losing about 6.5 million job opportunities and about 22 trillion yen GDP for the next ten years. About half of the companies that closed their businesses had high productivity and earned profits. In order to improve productivity of SMEs and small-scale entrepreneurs through smooth business succession, the government will strengthen initiatives for the next ten years or so as an intensive execution period for business succession. For this purpose, the
government will provide a seamless support from early and planned preparation for business succession to management innovation after business succession, including promotion of mergers and acquisitions. With regard to the business succession tax systems, reflecting opinions that they are reluctant to use such systems due to factors including the tax grace system that may cause an excessive burden despite expected future changes in management environment and employment requirements amid the serious shortage of workers, the government will make a radical expansion of the business succession tax systems.

(3) Expansion of efforts to make fair subcontracting transactions

- To promote awareness and thorough understanding of fair business transactions as well as an increase in added value, the government will take appropriate follow-up measures including revision of the application standards of the Subcontract Act, request for cash payment of subcontract proceeds in principle, and monitoring the implementation of voluntary action plan by business. In addition, the government will make a large-scale survey (on more than 60,000 companies) for their subsequent improvements based on these initiatives within this fiscal year, and make interviews by government officials (of more than 2,000 companies) to request review of their voluntary action plans within the fiscal year if necessary. At the same time, the government will promote the expansion of the scope of businesses to establish voluntary action plans and subcontract guidelines (voluntary action plans: 8 to 12 businesses).

(4) Strengthening of functions of support organization for SMEs

- The government will take necessary measures to enhance capabilities of support organizations (various experts, local financial institutions, Chambers of Commerce, and Chambers of Commerce and Industry) that are familiar with SMEs and small-scale entrepreneurs and to strengthen cooperation with them, and promote “visualization” of support measures from business operators’ perspectives. Also the government will support small-scale entrepreneurs who are taking initiatives to develop sales channels with support from Chamber of Commerce and Chamber of Commerce and Industry.

- The government will encourage financial institutions to demonstrate their appropriate financial intermediary functions to provide SMEs with loans based on their assessment of SMEs’ businesses, not excessively relying on collateral or guarantee, and with management support, including utilization of “Guidelines for Personal Guarantee Provided by Business Owners”, to increase their productivity. Furthermore, the government will strengthen other measures, including the establishment and publishing of objective Key Performance Indicators (KPI) by next summer to indicate the status of financial intermediation, support for human resources and knowhow by Regional Economy Revitalization Corporation of Japan (REVIC) and Japan Human Resources, promotion of collaboration and cooperation of public and private financial institutions through appropriate role sharing, provision of equity funds through cooperation between financial
institutions and REVIC. Also, to secure continued soundness and financial intermediary functions of local financial institutions, the government will strengthen inspection and supervision of local financial institutions and start considering an ideal state of competition among financial institutions as early as possible.

(5) Revitalization of regional economies by regional core companies

- Taking advantage of the Regional Future Investment Promotion Act, the government will aim to support around 2,000 companies nationwide for the next three years so that they can drive their regional economies forward. Through cooperation among Ministries, the government will intensively and effectively support businesses to lead regional economies, including research and development and capital investments, by identifying specific businesses and strengthening support measures, including preferential measures on budget, finance, and regulations. To this end, based on big data and recommendation by local governments and others, around 2,000 regional core companies (Leading Companies for Regions’ Future) as candidate leaders of businesses to lead regional economies will be selected and published within this year.

- The government will support regions for their efforts to acquire external demand into the regions by taking advantage of their strength through promotion of Cool Japan and community-building using regional resources.

- To overcome regional problems and revitalize regions by utilizing sharing economy and community-based Internet of Things, the government will provide comprehensive support and improve communication environments to create best practices in regions and their nationwide development.

(6) Promotion of regional revitalization

- With regard to regional revitalization, while promoting cooperation between industry, government, academia, and finance, all players, including SMEs and small-scale entrepreneurs and local governments, will participate in taking measures to promote supply system innovation toward Society 5.0 in regions.

- With regard to voluntary and independent projects implemented by local governments, such as base facility building, based on regional comprehensive strategies, the government will promote measures including building leading facilities to encourage supply system innovation while taking into consideration the local situation.

(7) 50 percent reduction of patent fees for all SMEs

- Patent fees for all SMEs will be reduced by half. The relevant bill will be submitted to the next ordinary session of the Diet.
2. Supply System Innovation through improved profitability and investment promotion of corporations

(1) Acceleration of wage increases, and capital/human resources investment

- During the intensive investment period, the government will reduce substantive tax burden on profits of companies that make proactive efforts to increase wages and capital investments, to an extent they can fully compete in the global market. Especially, for those companies that earnestly make human resource investments, further tax reduction will be made. In addition, for those companies that take bold initiatives to increase productivity by using innovative technologies while increasing wages, substantive tax burden will be drastically reduced to an extent they can outperform global competitors. At the same time, for those companies that are reluctant for wage increase and investment amid a record high corporate profit, tax measures will be taken to encourage their decisive management decision-making.

(2) Corporate governance revolution

- Based on considerations in Council of Experts Concerning the Follow-up of Japan's stewardship Code and Japan's Corporate Governance Code, the government will establish Guidance to encourage companies to take the following measures and review the corporate governance code as necessary through deepening of dialogue between investors and companies by June 2018, the peak season for shareholders meetings.

  • Decisive management decision-making such as flexible exchange of business portfolio according to changes in the business management environment, including withdrawal from or sale of the business (in this case, for example, the establishment of policy on reviewing the business portfolio and of an effective reviewing process as well as their explanation will be promoted)
  • Effective use of companies’ retained earnings as well as their increasing cash and deposits for capital investments, research and development investments, and human resource investments
  • Establishment of an effective process regarding appointment, dismissal, or development of CEOs and determination of compensation for the management, including utilization of an independent Nomination and Compensation Committee, and an effective supervision of and advice for the management by independent outside directors
  • Clarification of policy on the reduction of cross-shareholding as well as understanding of such reduction by the cross-shareholding partners
  • Fulfillment of expected functions as asset owners of corporate pension funds and support by the parent company

- In light of importance of ESG investment (environment, social and governance), the government will develop the information disclosure platform regarding company management such as environmental information and establish “The
Forum for Integrated Reporting and ESG Dialogue (tentative name)” as soon as possible, where investors and companies have dialogue.

(3) Promotion of drastic business restructuring
- To promote companies’ business restructuring, the government will strengthen provision of risk money and take necessary measures to promote a merger and acquisition with consideration of shares for a drastic business restructuring.

3. Supply System Innovation through societal implementation of Society 5.0 and disruptive innovation

(1) Institutionalization of regulatory “sandbox”
- Regarding new technologies and new business models that were not envisaged under existing regulations, the government will submit a bill aiming to establish a project based regulatory “sandbox” at the next regular session of the Diet. It will enable demonstration of certain projects under environments where relevant regulations are not applied immediately by limiting the number of participants and duration through a certain process under a cross-fields and cross-ministerial system.
- The government will submit to the next ordinary session of the Diet an amendment bill to revise the National Strategic Special Zones Act. The bill aims to establish an area-limited regulatory “sandbox” in a national strategic special economic zone, and to conduct a prompt and smooth experimental demonstration concerning the realization of automated driving, small unmanned aerial vehicles, other near-future technologies and the forth industrial revolution, the government will set a monitoring and evaluation system to strengthen after-check and rationalize advance regulations.
- The government will establish a centralized system to strongly promote societal implementation of Society 5.0 in a cross-governmental manner in order to centrally accept a wide range of proposals from private business operators at home and abroad for a project based sandbox and an area-limited sandbox for a strategic cooperation between the two.

(2) Societal implementation of the Forth Industrial Revolution and the system reforms in the areas experiencing sluggish productivity

1) Automated driving
- Aiming to achieve provision of unmanned automated-vehicle transport services in 2020 and commercialization of platooning trucks on an express way as early as 2022, the government will systematically implement measures such as implementation of a public road demonstration project, sharing of its results and data among relevant parties, and development of necessary systems and infrastructures.
- Aiming at the commercialization of advanced automated driving in around 2020, the government will establish an outlined development policy of the
government’s entire systems, including safety standards, traffic rules, and responsibility matters in an accident, within this fiscal year.

- From perspectives of deepening and expansion of cooperative areas among relevant business operators regarding automated driving technologies as well as strengthening of competitiveness, the government will establish a policy to collect and utilize videos of running automated driving vehicles and accident data to accelerate the development of core technologies of vehicle’s recognition and judgment within this fiscal year.

- The government will take initiatives in a strategic manner, including matters to commercialize automated driving maps (commercialize expressway maps in the next fiscal year and establish a policy to develop ordinary road maps in the next fiscal year), promote 5G projects, which contribute to societal implementation of automated driving (start services by 2020), ensure vehicle-installed security devices (establish a timetable to make a safety evaluation system within this fiscal year)

2) Health, medical care, long-term care

i) System of the online qualification confirmation, establishment of data utilization infrastructure

- With regard to the health insurance number, the government will change the existing number system on a household basis to that on an individual basis. Utilizing the infrastructure of the My Number system, the government will consider a system to centrally manage qualification information and other data on an individual basis even if the individual has to change the health insurer due to job change or retirement, and aim to implement a full-scale operation of the online qualification confirmation from 2020. In addition, the government will continue to consider the concept of identifier (ID) in terms of coordination of information in the medical and other fields, including utilizing such infrastructures and aim to obtain conclusions next summer.

- Furthermore, with regard to National Health Insurance Medical Treatment Information Network to provide optimal health management, medical treatment, and care, the government will aim to show a timetable next summer based on this year’s experimental projects while considering issues such as types of information for coordination and information management. At the same time, the government will start designing a detailed system of Healthcare Data Platform to link and analyze big data of health and medical and long-term cares. Implementing these initiatives, the government will aim to start full operation of the data utilization platform in the FY2020.

ii) Remote medical treatment, etc.

- With regard to remote medical treatment that would contribute to effective and efficient provision of medical services by combining it with face-to-face medical treatment in an appropriate manner, the government will stipulate a new assessment standard in the FY2018 revision of medical service fees. At the same time, to disseminate a safe, effective and efficient remote medical
treatment, the government will develop guidelines to cover necessary rules, including “basic concept of remote medical treatment” for all citizens, specific use cases, a treatment period to apply remote medical treatment, and ideal consensus building with patients. These measures will be compiled as a consistent package and published within this fiscal year.

- The government will consider remote medication instructions based on experimental treatment in National Strategic Special Zones from perspectives of response to needs to promote them along with remote medical treatment and of securing safety.

iii) Promotion of long-term care for self-reliance, ICT of long-term care, use of robot censer

- Support for self-reliance resulting in a certain effect will be appropriately evaluated by combining structure and process assessment with outcome assessment\(^{20}\) in the FY2018 revision of long-term care fees.

- With regard to the use of robot censer in places where long-term care is provided, such services resulting in a certain effect such as watching service at night, which could contribute to remain and improve the quality of users’ life and reduce burden of caregivers, will have institutional responses, including reviewing of long-term care fees and personnel and facility standards, when the FY2018 revision of long-term case fees is implemented.

- The government will aim to establish a system in 2020 that enables provision of high-quality and effective long-term care services by using innovative technologies such as ICT to increase productivity at care sites. For this purpose, the government will also ascertain the status of mandatory forms required by the national and local governments at long-term care service facilities and implement an interim reviewing within the next fiscal year. Thereafter, the government will implement further reviewing, including original documents prepared by facilities, and aim to reduce the quantity of such forms by half. Furthermore, Efforts will be made to prepare standard specifications of ICT from the next fiscal year.

3) Financial and commercial transaction sectors

- Due to changes in the business environment, including advanced IT technologies, some financial functions that have been provided by financial institutions have been taken by certain organizations to specialize in, and movements to provide new services by integrating multiple financial and non-financial services have been spreading. Based on such drastic changes in the environment surrounding the financial system along with commercial distribution, the government will start consideration to revise the Financial Instruments and Exchange Act and other relevant regulations in cooperation

\(^{20}\) Long-term care fees depending on the quality of services can be categorized into the following three perspectives; (i) structure means a structure of personnel allocation, (ii) process means a process of interaction between the business operator and the patient, and (iii) outcome means assessment of changes in condition of a patient generated by medical services.
with Ministries and Agencies within the FY2017 in order to revise the current legal systems by industry to be those by function and cross-industrial legal systems while striking a balance between promotion of innovation and protection of users. At the same time, to improve users’ convenience, strengthen companies’ growth potential, and realize a cashless society, the government will consider how to promote use of FinTech.

4) Construction sector
- Regarding i-Construction, the government will expand the range of application to all processes, including construction and maintenance of bridges, tunnels, and dams, as well as building sector, by the FY2019 and strongly support the use of three dimensional data and the adoption of ICT for their application to small and medium constructors and local governments. Also, the government will promote advancement of construction management, inspection and disaster response by using AI and robots, and demonstrate them at construction sites before putting them into practice.

- To respond to rapidly aging infrastructures, the government will make a steady progress of planned preventive maintenance and the establishment of social infrastructure information platform. In addition, the government will promote the introduction of new technologies of inspection and examination led by the National Council of Infrastructure Maintenance integrating industry, academia, government and private sectors in order to increase productivity of the maintenance industry.

- The government will enhance construction environments by establishing a construction career advance system next fall, which records work history of skilled construction workers so that their construction management, document preparation and cultivation of human resource could be streamlined and their skills and work experiences could be appropriately evaluated.

- The government will level the ordering period of construction work by integrating and publishing expected orders by region on a nationwide basis within this fiscal year. At the same time, the government will start considering streamlining of requirements for the allocation of skilled workers at construction sites stipulated by the Construction Act within this fiscal year and acquire conclusions within the next fiscal year.

5) Transportation sector
- The government will reduce waiting time and handling time for loading or unloading through the introduction of truck booking system used by consignees and its release to carriers as well as promotion of shifting to machine loading or unloading.

- As part of the dynamic pricing system of taxi fares\(^{21}\), the government will consider, for the introduction of flexible pick-up charges, its experimental demonstration and the development of operation policy within the next fiscal

\(^{21}\) Method to change fares according to supply and demand by time-of-day or on the day of the week
- The government will keep expanding volume discount and frequency discount for transport charges of automobile carriers and keep consigners and carriers informed of the revised Standard Motor Truck Transportation Contract that was revised to clarify freight and charges of trucking. The government also will establish and publish measures by around next spring to improve work styles of drivers of truck, bus, and taxi and further increase their productivity.

- Parcel delivery services by a small unmanned aircraft (drone) will start in mountainous and other remote areas next year. Aiming to implement its full operation of safe delivery services even in urban areas in 2020s, the government will promote technical development and institutional responses that enable advanced flight such as flight beyond visual line of sight without placing an assistant and flight over third parties. In addition, the government will promote initiatives to expand industrial use of drones, including utilizing Fukushima Robot Test Field.

- To improve productivity of international marine container transportation, the government will establish standards needed for remote operation of cargo handling equipment within this fiscal year. At the same time, using AI and other means to realize AI terminal that would make the entire operation of the terminal efficient and optimized to create world’s highest level productivity, the government will establish and publish its specific objectives and timetable within the next fiscal year.

- By adopting ICT to all phases of development, building and operation of a vessel, the government will promote i-Shipping that could increase productivity of Japan’s shipbuilding and marine transportation with support of innovative technological development using AI.

6) Agriculture, forestry and fisheries sectors

- To promote forestry as a growth industry, based on the second set of recommendations for Regulatory Reform Promotion Council (determined on November 29, 2017) and the Vitalization Plan for Agriculture, Forestry and Fisheries and Regions (revised on December 8, 2017 hereinafter referred to as Vitalization Plan), the government will submit to the next ordinary session of the Diet a bill aiming to establish a new forest management system to concentrate and consolidate management to the forestry management who have strong motivation and excellent abilities. At the same time, the government will study issues including restructuring of supply chains from a market-oriented concept and employing activities of the private sector for national forests. Furthermore, the government will establish specific growth objectives for forestry and a timetable to achieve them by the mid next year and take necessary measures. This would promote regional revitalization and revitalization of regional economies.

- Amid the progress in diversification of food distribution, to increase producers’ income and to respond to consumers’ needs as well as to establish a distribution structure to respond to changing environments, based on the Vitalization Plan,
the government will promote rationalization including streamlining of logistics and adoption of information and communication technologies. At the same time, reflecting the diversified logistics, the government will review regulations on the wholesale markets, where fair transactions are expected to conduct, and submit to the next ordinary session of the Diet a bill aiming to encourage ingenuity to meet the needs of each market.

- To meet new needs for use of farmland, based on the Vitalization Plan, the government will review handling of farmland under the Agricultural Land Act, including a case of greenhouse whose entire surface ground is covered with concrete, and utilization of unclaimed farmland. For this purpose, the government will submit a bill to the next ordinary session of the Diet.

- To promote fisheries as a growth industry, based on the Vitalization Plan, the government will consider and embody initiatives next year, including the ideal proper legal system; that is, establish scientific and effective methods for evaluation and management of resources that are equal to international levels; establish a competitive distribution structure of fisheries; and respond to issues including development of environment to secure people who support fisheries and keep enough investments to fisheries.

- To realize smart agriculture, forestry and fisheries, and to increase productivity through the entire value chain, the government will strongly promote development and implementation of cutting edge technologies such as AI, IoT, Big data, robots, and drones in all sectors. These include big data from the phases of produce to consumption using Agricultural Data Cooperation Platform (established this year and full-operation in 2019), optimization of produce and distribution through information sharing among the entire forestry and wood products industry, prediction of fishing ground and detecting and selecting of fish by AI, and automated production and cooking of food by robots.

7) Tourism, Sports, Culture, and Art

- The government will start developing an information system within this fiscal year that centrally manages information in the travel industry to improve the safety of tourists. Also, the government will implement initiatives to increase productivity based on the “Tourism Vision to Support the Future of Japan”. These initiatives include use of ICT technologies for the accommodation industry, development and use of human resources through establishing an MBA program in tourism, use of multilingual speech translation technology, improvement of environment to accept cruise ships, use of ICT technologies in natural parks.

- The government will compile problems and solutions when the private sector proactively involve in achieving sustainable management of stadium arenas and encourage their involvement.

- With regard to development and use of human resources for sports management, the government will consider ideal human resources and education curriculum that are required to establish an educational institution with a view to creation
of a degree (sports MBA), and indicate the direction within this fiscal year and compile the ideal education system within the next fiscal year.

- The government will leverage the economic scale of culture and arts industry (cultural GDP) and resources of culture and arts to expand economic ripple effects. For this purpose, while strengthening the functions of the Cultural Affairs Agency, the government will develop infrastructures for “money-making culture” that creates new values by taking measures, including developing and securing of human resources, further disclosure and use of cultural properties and review of protection systems, and strengthening of functions of regional cultural resources and global communication capabilities.

(3) Radical strengthening of the foundation for the innovation promotion

1) Promotion of strategic innovation for the full implementation of Society 5.0

- The government will steadily progress public-private collaborated research and development and its societal implementation that would contribute to productivity increase, including Strategic Innovation Program (SIP), a cross-ministerial project to promote Society 5.0. At the same time, to encourage Ministries and Agencies to implement similar initiatives, the government will promote establishing technological platforms for AI and quantum computer using Public/Private R&D Investment Strategic Expansion Program (PRISM) that will be newly established, while paying attention to international trends regarding development and utilization. In addition, with a view to international implementation of a series of systems, institutional reforms, including international standardization, and loosening of relevant regulations, will be incorporated at the planning phase of the project. Also the government will promote an industry-academia-government joint use of cutting edge large research facilities, including a large synchrotron facility and super computers that contributes to increase Japan’s research capabilities and companies’ productivity.

- To promote societal implementation of new technologies toward Society 5.0, regarding Innovation Network Corporation of Japan, the government will aim to strengthen its function of providing risk money while ensuring political governance and enabling flexible investment, and submit necessary bills to the next ordinary session of the Diet.

2) Promotion of young researchers’ activities

- After visualizing research expenses and research results per national university and young researcher, the government will progress the reform of types and frameworks of research expenses, which, for example, enables qualified young researchers to easily obtain research grants from this fiscal year. Also the government will consider introducing an incentive system that encourages each university to prioritize as many research grants as possible to young faculty.

- The government will consider the ideal reform of the human resources and payroll management system. This includes the establishment of fundamental principles such as effort management, performance evaluation, and reflected
treatment, the adoption of cross-appointment system and annual salary system, a program based on a diversifying career paths, including well-balanced treatment such as shifting full-time job posts of senior faculty who should obtain external research grants by themselves to promising young faculty and improvement of mobility of senior faculty.

- The government will expand measures to provide young researchers who have motivation and abilities with opportunities to study abroad. At the same time, the government will promote international educational cooperation with overseas universities to obtain joint degrees. Also the government will consider the reform of system which ensures that they may obtain overseas doctorates and have job opportunities after returning to Japan within the next fiscal year.

3) University as an innovation center

- While promoting the establishment of the post of provost (vice president) who assists the president, which has started at part of designated national universities, the government will progress necessary reforms, including appointing external human resources to top management, so as to promote optimal management where top management can exercise more leadership and management capability will be improved as well as the division of academic roles will be promoted.

- With regard to the ideal collaboration, integration and role sharing of universities across the framework of national, public and private universities centered on innovation, including reorganization such as multiple universities under one holding company, the government will obtain a definite plan within the next fiscal year and progress necessary reforms.

- The government will encourage universities, national research and development institutes, and other organizations to make their own efforts to secure diversified fund sources. At the same time, from a perspective of promoting donations to universities and other organizations, the government will consider relaxing tax-exemption requirements for donations of valuation assets.

4) Promotion of innovation of public and private funds

- For the existing projects in the public sector, by promoting the adoption of cutting-edge technologies, the government will implement initiatives to shift them to science and technologies innovation from the next fiscal year. In the public fund-raising sector, to promote use of venture capital, the government will formulate guidelines within the next fiscal year, aiming to identify specific issues and establish a step-up structure from research and development to fund raising and commercialization.

- The government will steadily implement the content of “Guideline for Enhancing Industry-Academia-Government Collaboration Activities” to promote open innovation. In addition, the government will consider new support methods calling for private research and development investment, including fund allocation system based on the results of industry-academia
collaboration, government-private collaboration of research topics competition, and award programs, and will take initiative to create a research and development fund of public offering. These initiatives aim to promote an effective use of national research and development funds and induce private reserve funds of more than four hundred trillion yen into innovation investment. In addition, they will establish structures of industry-academia-government-finance collaboration by region and of support for ventures, and increase the number of investable research and development institutes, enable universities and research and development institutes to obtain and hold for a long term shares and stock acquisition rights associated with their support for ventures.

- With regard to good examples including SIP and the high impact research and development program ImPACT, the government will continue research at national research and development institutes and universities, transfer results to private companies, and promote commercialization of ventures to establish an exit strategy.

5) Obtaining of international technology standards

- The government will expand support for private activities for international standardization and formulation of rules. At the same time, the government will strengthen public and private collaboration, including consideration of how to serve as a control tower by government’s Chief Standardization Officer, progress initiatives in a strategic manner. These initiatives include international standardization of important fields, cooperation with regulations and government procurement, and development of human resources for standardization. In addition the government will submit to the next ordinary session of the Diet an amendment bill to revise the Industrial Standardization Act, aiming to expand to apply the Japanese Industrial Standards (JIS) to service fields.

6) Promotion of innovation policies in an integral manner

- To establish consistent policies from basic research, applied/experimental research, startups and societal implementation, to capturing the global market, the government will integrally establish innovation-related policies that have been developed by each sector of IT, marine, space, health and medical, and by each step of technology development, intellectual property, standard system, and regulatory matters, to formulate evidence-based consistent and scientific policies. Relevant data of each Ministry and Agency will be linked within three years. For this purpose, Council for Science, Technology and Innovation will formulate and promote KPI and a timetable regarding initiatives for the next three years of “period of intensive investment towards the supply system innovation” by collaborating with other relevant various controlling functions of the cabinet.

(4) Infrastructure development for Society 5.0

1) Strengthening of communication infrastructure

   i) Reform of radio wave system
The government will steadily implement the measures indicated in the second set of recommendations for Regulatory Reform Promotion Council (determined on November 29, 2017) including the following initiatives.

- As means for radio wave allocation and visualization of the status of radio wave utilization, while considering preventing any problems with various operations from interception and interference of communication, the government will conduct proactive publication of the allocation status of frequencies for public use and effective surveys on the status of public and private utilization of radio waves. In addition, as a response measure to secure frequency bands, the government will set up the goal of securing frequencies to meet the needs of new frequencies.

- The government has determined to formulate a system to conduct a smooth return by mobile phone operators of frequency bands with no effective use, including after the end of the approved period of the plans for opening specific base stations formulated by them, and to expand and establish incentives including measures to promote transfer frequencies. To implement these initiatives, the government will submit necessary bills within the next fiscal year. In addition, the government will consider “public safety LTE” for joint use by relevant Ministries, Agencies and other relevant organizations in the public sector and frequencies among public sectors, joint use of systems. At the same time, in the private sector, the government will consider effective use of frequencies allocated for broadcasting with a view to the future vision of broadcasting business.

- Undertaking a drastic review of allocation methods of frequencies, the government have determined to apply the amount (including expenses for transferring frequency bands) of the economic value of newly allocated frequency bands through competitive application procedures, and to introduce a new method to determine allocation of frequencies based on a comprehensive evaluation of multiple items (population coverage ratio and technical capabilities) including the above economic value, and will consider these initiatives to submit necessary bills within the next fiscal year. Revenues obtained by this new method will be used for the promotion of transfer of frequencies, implementation of Society 5.0 and others, and measures for them will be considered.

- For optimization of spectrum user fees reflecting the economic value of radio wave, the government will review characteristic coefficient and division of frequency bands in calculation of spectrum fees conforming to the status of utilization of radio waves and also review the use of spectrum fees so that the government or other organizations can collect spectrum user fees from licensees’ stations for public use that have not been effectively used, surveys on the status of utilization of radio waves that would contribute to the effective use of frequencies (including surveys on the status of radio launch), and promotion of transfer of frequencies. To achieve these, the government will submit necessary bills within the fiscal 2018. Furthermore, the government will consider requesting licensees who use
radio waves as national common property to bear the burden based on their economic value.

ii) Realization and utilization of the 5th Generation Mobile Communication System (5G)

- With regard to 5G that enables ultra-high speed, high-capacity, multiple-connected, and low-latency communication, the government will achieve it first in the world with a view to conclude in 2020 and speedily promote the spread and development of 5G in regional areas while developing specific application such as automated driving.

iii) Development of large-capacity international communication infrastructure

- The government will encourage private companies that undertake collaborative research with universities and other institutes to use academic information networks and consider the necessity of reinforcing tight lines based on an increasing volume of data communications.

2) Data sharing and establishment of collaboration platform

i) Promotion of public and private data sharing and collaboration

- The Strategic Conference for the Advancement of Utilizing Public and Private Sector Data and The Executive Committee of Basic Plan for the Advancement of Utilizing Public and Private Sector Data serving as the control towers will start cross governmental initiatives from this fiscal year towards the disclosure of public data which is highly demanded by the private sector through thorough examination of public data, continued dialogue through public and private round tables and strengthening of support for local governments’ efforts to open data. Along with opening of data held by the public sector, the government will promote Evidence-based Policymaking (EBPM).

- Based on Connected Industries Tokyo Initiatives 2017, the government will submit to the next Diet session bills aiming to establish a certification system for data - sharing - business in collaborative areas and a data - requesting system to the administrative sector. In addition, to promote the distribution and utilization of personal data under individual responsibility, the government will formulate guidelines for certification for “Information Bank” within this fiscal year.

- With collaboration and advanced utilization of data with cyber-security measures, the government will support investment for IoT facilities, including information systems, censors, and robots needed for initiatives to create new added values.

- Through means including the establishment and expansion of use of seven-satellite constellation of Quasi-Zenith Satellite System, strengthening of functions of Geospatial Information Center, and utilization of various kinds of information obtained from space, the government will strongly promote Geospatial Project including automated driving, automated farming, remote sensing in the forestry and support for disaster evacuation. The government
will also gather various kind of public and private information on geospatial data to consider how public organization should encourage secondary and tertiary use and consider strengthening the government’s control tower functions and developing the system as soon as possible in order to promote Geospatial Project.

- To promote the progress of new businesses using big data, the government will submit to the next ordinary session bills aiming to develop flexible regulations of restrictions on rights in the Copyright Act and to establish remedy measures for improper acquisition, use and provision of data in the Unfair Competition Prevention Act.

ii) Formulation of Infrastructure for Multilayer Interoperability and establishment of common market to promote data connection

- Aiming to collaborate all the data scattered among the national and local administrative organs and private companies, the government has determined to establish a platform to promote data standard and cross-cutting data use of Infrastructure for Multilayer Interoperability (IMI) for both “cross-cutting areas” (place, time, etc.) and “individual areas” (agriculture, infrastructure, etc.) within three years, and will start developing the system to implement such initiatives. At the same time, the government will consider collaboration with data collaboration platforms in the USA and European countries, aiming to establish a common data market for one billion people in Japan, USA and Europe.

3) Strengthening of cyber security measures

- Toward the 2020 Tokyo Olympics and Paralympics, the government will speedily develop legal systems to establish the structure where a variety of entities, including national administrative organs, critical infrastructure operators, and cyber security-related operators can mutually cooperate to strategically and promptly share information on cyber-attacks we are facing. In addition to this, from a viewpoint of strengthening IoT security, the government will build a framework of public and private collaboration within this fiscal year to promote initiatives to ascertain the actual situation, implement and make aware of counter-measures, and promote combatting bots (computer malware to remotely operate IoT equipment from outside).

- The government will strengthen developing human resources who will play core roles for cyber security countermeasures in the industry, who will lead operation and management of networks to support IoT, and who will lead the promotion of security and open data.

- To promote SMEs’ cyber security countermeasures, the government will strongly encourage them to use secured cloud services and take voluntary initiatives through guidelines and other regulations.

4) Development of social infrastructure

- The government will intensively develop infrastructures to increase productivity of the Japanese economy, including high-standard key roads like
major metropolitan ring roads, new Shinkansen lines, high-speed traffic network like linier central Shinkansen, international hub airports, and international container and bulk strategy ports.

- In the water supply and sewage business facing issues of decreasing water supply and water treatment capacity as well as aging facilities in line with the decreasing Japanese population, to accelerate the introduction of PPP/PFI, the government will implement a model project where local governments that are highly motivated to take advanced initiatives will be publicly recruited and their activities will be examined by private operators who have experiences and know-how of its operations.

- To promote the utilization of land of unknown ownership and vacant lots and to curb further increase in such land, the government will submit a bill to the next ordinary session of the Diet aiming to establish a structure to facilitate the utilization of land of unknown ownership and a structure to promote consolidating and reorganizing scattered vacant lots.

5) Promotion of bold energy efficiency and investment in renewable energy sources

- From a viewpoint of striking a balance between global warming countermeasures and economic growth, the government will make maximum progress in energy-efficiency investment and introduction of renewable energy sources by taking budgetary and legal measures, including energy efficiency efforts by cooperation among multiple operators, support for SMEs by private companies that have energy-efficiency know-how, development of renewable energy technologies for cost reduction, and promotion of renewable energy supply using regional resources towards the target of 26% reduction of greenhouse gas emissions by FY2030 and achieving the Energy Mix Policy by FY 2030.

- To improve resource efficiency, the government will revise the Fundamental Plan for Establishing a Sound Material-Cycle Society early next year in order to accelerate recycling resources including collecting metal from urban mines.

(5) Promotion of the transfer of human resources to growth sectors and the diverse and flexible work styles

(i) Development of an environment for employment and education that brings out individuals’ talent

- The government will restructure the labor movement support subsidy (under the “two unemployment insurance related services”) and other schemes with an emphasis on supporting career enhancement and career change. In addition, the government will promote the use of career consulting at major turning points related to age, years of employment, posts and other factors, as well as the activities including those to support reemployment of middle-aged and elderly persons. Furthermore, the government will develop the Guidelines for Expanding Opportunities for Diverse Selection and Employment Regardless of Age within this fiscal year to establish a flexible labor market in which career change and reemployment will not be disadvantages.
- The government will provide support through public vocational training (under the “two unemployment insurance related services” and other mechanisms) and educational training benefits (“unemployment and other benefits” under unemployment insurance), so that working adults are able to relearn effectively at various stages of life.

  • The government will enrich the programs of public vocational training and general educational training benefits, so that not only the personnel in the IT sector but also those working in a wide range of industries that use IT would usually be equipped with basic IT and data skills.

  • To support the acquisition of professional and practical skills newly required due to technical innovation and other factors, the courses of study offered at professional universities and other institutions will be made eligible for receiving the professional and practical educational training benefits. In addition, eligible courses will be expanded through coordination with the Brush Up Program for Professional offered by universities, Applied Professional Postsecondary Course offered by specialized training colleges, the Certification Program for Fourth Industrial Revolution Skills Courses which focuses on IT and data-related fields, and other programs.

- The government will improve the training and use of personnel with exceptional ability who would serve as a driving force of innovation, by establishing human resources training programs that support commercialization and starting up of a business through one-on-one guidance by project managers and providing support for taking on the challenge to tackle creative technical issues.

- The government will initiate activities of a “public-private consortium” comprised of industrial and educational sectors within academic year 2017, to promote practical education in universities and other institutions that use actual themes, data and other information of corporations, while keeping track of the needs of the industrial community.

- The government will undertake activities including the revision of the university establishment standards with the target of completing them within the academic year 2017, with an aim to make progress on engineering education reform, including the abolition of vertically divided departments and the promotion of an integrated educational system from undergraduate to graduate school.

- To ensure that computer programming education can be implemented effectively in all elementary schools by academic year 2020, when the new Guidelines for the Course of Study for Elementary Schools will be fully implemented, the activities including the following will be moved into full gear in academic year 2018: speeding up the development of school children’s educational materials by the Learning Consortium for the Future; and setting up a system for using personnel from outside. Also the government will ensure that all schools and other institutions across the nation will be able to
take actions including the selection of educational materials and the training of teachers from the outset of academic year 2019. Efforts will be made to create an environment in which school children can learn computer programming continuously and progressively in each region.

- In order to utilize new educational services that use artificial intelligence (AI), big data and other elements (EdTech), and to promote the improvement and development of individuals’ capacity tailored to diverse needs, the government will prepare guidelines for introducing EdTech based on the impact of EdTech verified through demonstration projects, along with the implementation of other activities.

(ii) Promotion of diverse and flexible work styles

- The government will make efforts to create an environment where school children can learn computer programming continuously and progressively in each region.

- The government will revise the guidelines for telework within this fiscal year and make them widely known so that telework will become widespread, while ensuring that long working hours will be prevented and appropriate security measures will be taken. In addition, the impact of telework in improving productivity will be analyzed based on actual proof, and the results will be used to transform the mindset of management.

- The government will make efforts to understand actual conditions and issues concerning work styles that are not bound by employment relationships, such as freelance and crowdsourcing. Based on the findings, medium- to long-term study will be conducted from the next fiscal year under the Labor Policy Council and other bodies, which will look into issues such as the need for legal protection.

- The government will recommend side jobs/multiple jobs from the viewpoint of supporting responsible career development of workers without depending on a single company. Toward this end, the model rules for employment will be revised and the guidelines will be developed within this fiscal year. In addition, studies will be conducted under the Labor Policy Council and other bodies focusing on effective ways of working hour management and on the ways of compensations for on-the-job accidents and injuries, in view of the change in work styles and other factors, while taking into consideration that workers’ health should be ensured.

(iii) Review of monetary relief systems when termination of employment is invalid

- Concerning the review of monetary relief systems when termination of employment is invalid, a professional study focusing on technical aspects of law will be initiated by the Labor Policy Council as soon as possible, based on the findings of the Study Committee on Transparent and Fair System and Other Mechanisms for Resolving Labor Disputes. Necessary institutional measures will be taken based on the final conclusions of the Council.

(6) Strengthening support for ventures

- The government will initiate the Startup Japan (tentative name) within this fiscal year and will take the following actions: (i) select startups that can win globally and provide intensive support; (ii) provide locations in which they can use trial
and error in designing and building prototypes for mass production; and (iii) support overseas expansion. In addition, (iv) make more efforts to lure foreign ventures to Japan.

- In order to stimulate new challenges which would become starting points of innovation, the government will provide more growth funds for open innovation (startups and other entities), through the capacity improvement of the Innovation Network Corporation of Japan (INCJ) and other mechanisms. A system will be developed to support ventures to solve the problems they will be having at each stage, while improving operational efficiency by integrating or enhancing cooperation among public and private funds.

- The government will set up the system of “super accelerated examinations” for patents from startups within the next fiscal year, in which the first action will be issued within one month in principle.

- The Startup Program (tentative name), a business incubation program, will be initiated within the next fiscal year. The program will strengthen the development and use of innovators with exceptional ability in Japan who could become venture entrepreneurs. In addition, the government will take measures concerning the immigration control system, for example to provide a period of residence in Japan for a maximum of one year to prepare for starting up businesses, aiming at receiving more foreign entrepreneurs. Also, measures of control and support will be implemented, such as the checking of the status of activities for starting up businesses, and the establishment of a consultation system.

(7) Supply System Innovation from the government

(i) Promoting digital government

- To improve productivity of both public and private sectors through a review of operational and other processes inside the government, the government-wide Digital Government Implementation Plan will be compiled this year. By reviewing administrative procedures, the government reduces its operational cost by at least 20% (It should be achieved by March 2020).

- The government implements coordination of information based on Individual Information System, enrichment of Corporate Information Site, simplification of procedures for individual identification according to security levels, reduction of documents for public services’ applications, and improvement and full utilization of government’s procurement system. In addition, progress should be made in setting up the online system of SMEs’ application for subsidies in the next fiscal year.

- To realize provision of digital services quickly with new technologies, the government sets up a team which reviews its cross-sectional procedures and advance reforms of IT systems based on design thinking inside the government immediately. In addition, the government starts reviewing the ways of procurement of IT systems in order to improve the level of services and optimize their cost structure by introducing new development methods such as an agile development (a method in which both developments and
(ii) Promotion of the Use of the Individual Number Card

- Measures included in the roadmap for promoting the use of Individual Number Cards, which has been put together in March 2017, will be put into practice steadily in a way that the people can feel the convenience in daily life. Activities will include the following: realizing and expanding online confirmation of health insurance eligibility using the Individual Number Card (operation will begin in stages from FY2018 and will be in full operation from FY2020), and the public and private one-stop online service using Mynaportal (started in this fiscal year for areas related to child-raising, and services related to other life events to follow from the next fiscal year, in stages from those that are available); and promoting the introduction of point systems to support regional economies using the Mykey Platform (started in this fiscal year).

(iii) One-stop online procedures for starting a business

- With an aim to provide a world-class environment for starting a business, and to allow all procedures required for starting a business to be completed online in one-stop, the government will prepare a definite plan before the end of this fiscal year concerning concrete measures and the stage of work toward realizing the following:
  
  i) Aiming for the online process of registration of incorporation to be completed within 24 hours, and for appropriate and swift procedures in world-class standard thorough digitalization of operations;
  
  ii) Abolition of the requirement to register a seal at the time of incorporation;
  
  iii) Streamlining electronic articles of association, including the ways of certifying original articles of association; and
  
  iv) Digitalization of the procedures of starting a business and providing one-stop service using the Mynaportal.

(8) Taking in growing overseas markets

- The government will push forward to achieve entry into force of the TPP agreement involving 11 countries, and continue discussions on expansion of its member countries and regions. The government will also make efforts toward early signature and entry into force of the Japan-EU EPA, which was reached agreement in principle in July 2017. The government will work on negotiations to realize a high-quality RCEP, and promote negotiations on other economic partnerships strategically and expeditiously, including the Japan-China-Republic of Korea FTA.

- The government will take measures to support overseas business expansion of SMEs through Consortium for the New Export Nation and public-private partnership utilizing the Official Development Assistance (ODA), etc.
- Based on the Infrastructure Export Strategy (hereinafter referred to as the Export Strategy), the government will continue to promote sales pitches and further utilize supportive policy tools. In addition to the strategies of three fields (electricity, railways and information and communication) which have already been established, the government will establish the strategies for overseas expansion strategies in other fields such as medical services, ports, airports, environment, etc by the next revision of the Export Strategy.

The necessary steps concerning budget and tax will be taken and systems will be amended concerning the measures mentioned above, and the status of implementation will be reviewed. Concerning the matters that must take concrete shape, further efforts will be made toward the next summer.
Chapter 4  Response to current additional fiscal demand

The government will compile the FY2017 supplementary budget toward the end of this year in order to deal with additional fiscal demand properly. When doing so, and toward the Supply System Innovation, measures will be implemented in areas such as providing support for improving manufacturing, commerce, and service management capability and introducing IT, as means to provide concentrated support specifically to the types of businesses with low productivity, second-tier companies, SMEs, and small-scale entrepreneurs. At the same time, the government will implement activities including those under the Strategic Innovation Promotion Program steadily to promote research and development. In Human Resources Development Revolution, measures will be taken in areas such as providing support for building childcare and other facilities, as the schedule to implement the Plan for Raising Children in Peace of Mind has been moved forward. In addition, in view of the occurrence of large-scale disasters such as the recent torrential rains that hit northern Kyushu, the government will take disaster recovery and other measures, and will ensure that thorough measures will be taken on disaster management and mitigation. Furthermore, measures will be taken in areas such as the strengthening of agriculture, forestry and fisheries, to strengthen constitutionally in preparation of the Economic Partnership Agreement between Japan and the EU, etc., based on the “Comprehensive TPP related Policy Framework”, which was revised in late November 2017.