



# COMPREHENSIVE GROWTH STRATEGY: JAPAN

## A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

### Economic Objective

The “three-arrow” strategy, namely (i) aggressive monetary policy, (ii) flexible fiscal policy, and (iii) a growth strategy that promotes private investment, increased robustness of the Japanese economy. The government will continue to support the sustained demand growth as part of its efforts to ensure an exit from deflation. At the same time, as the gap between supply and demand is closing, further progress of the growth strategy, including through creating new jobs, increasing investments, and expanding business frontiers, has become even more important.

The government addresses challenges to (i) adequately cope with a consumption fall after a last-minute rise in demand before a consumption tax increase, (ii) strengthen and deepen the growth strategy to further accelerate virtuous cycle of the economy, thereby achieving economic growth driven by private demand, (iii) implement institutional and system reforms toward a promising future for Japan, and (iv) achieve fiscal consolidation, compatible with economic revitalization. These efforts will contribute to the G20’s objectives of strong, sustainable, and balanced growth.

In the medium-term, the Japanese government has already set the target of achieving average GDP growth rate of 3 percent in nominal terms and 2 percent in real terms over the ten-year horizon (FY2013-FY2022). This target is significantly more ambitious compared with the IMF’s October 2013 WEO baseline, which projects Japan’s average real growth rate between CY2013 and CY2018 at 1.3 percent. Therefore, achieving Japan’s growth target would clearly contribute to meeting the G20’s growth ambition to lift our collective GDP by more than 2 percent by 2018.

### Key Commitments

Last year, the Japanese government announced “Japan Revitalization Strategy.” It has led to bold structural reforms at an unprecedented pace. For instance, the government has been promoting the Electricity System Reform that was the first drastic reform in 60 years. The government also enacted nearly 40 laws in order to implement the strategy since June 2013. Furthermore, the government has decided on an agricultural policy reform, including a revision to the rice production regulations that had lasted for more than 40 years (decided in December, 2013).

In order to further accelerate its structural reforms, the government revised its growth strategy in June 2014<sup>1</sup>. This revised strategy aims at establishing world-leading business environment and reinforcing workforce as well as promoting private sector's innovations. The followings are five key commitments from this revised growth strategy, which we believe make significant contributions to meet the G20 commitment. Description on each commitment will be also made in "C. POLICY RESPONSES TO LIFT GROWTH" section.

## 1. ENHANCING CORPORATE GOVERNANCE, PROVISION OF RISK MONEY, AND PROMOTION OF VENTURES

One of the major challenges for Japanese economy is to raise profitability and productivity of Japanese companies to globally compatible level. In this respect, enhancing corporate governance is key and the government has already implemented various initiatives for pro-growth corporate decisions and for promoting constructive engagement with institutional investors, including legislation for encouraging outside Board of Directors, formulation of the Stewardship Code, and introduction of the JPX-Nikkei Index 400.

Furthermore, The Tokyo Stock Exchange (TSE) will draft the Corporate Governance Code, which outlines the principles of corporate governance. A council of experts of which FSA and TSE will jointly act as a secretariat, will aim to prepare key elements of the Code by around this fall so that TSE can newly draft the Code in time for the season of general shareholders' meetings in June, 2015. The Code and enhanced corporate governance are expected to contribute to realize globally-compatible level of RoE for Japanese companies, and to promote new capital investment, where appropriate. Through enhanced corporate governance and other relevant efforts, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016 (64.6 trillion yen in FY2012).

Relevant government ministries established a forum in September and have held several meetings already in order to discuss how to promote the provision of funds for growth including equity and mezzanine finance and medium to long-term loans to enhance growth-oriented business innovation and other medium to long-term measures for improving productivity.

In addition, in order to encourage active interactions between start-ups and larger firm, the government established "Venture Business Creation Council" in September 2014. The government will also review current government procurement laws to promote procurements from recently launched SME start-ups. Related bill will be presented at the next ordinary Diet session.

Through these reforms and other measures, Japan aims for entry rates to exceed exit rates of corporations, and to increase entry/exit rates close to 10% (currently at about 5%).

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<sup>1</sup> For the official growth strategy updated by the Japanese government in June 2014, please refer to .  
<http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/honbun2JP.pdf>

## 2. REINVIGORATING FINANCIAL AND CAPITAL MARKET AND REFORMING MANAGEMENT OF PUBLIC AND QUASI-PUBLIC FUNDS

The government will aim to build the best financial and capital market in Asia through various reforms. To respond to the long-term changes in the economic and investment environment and secure sound pension finance over an extended period of time, the Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, based on this year's revaluation of pension finance. In addition, initiatives for strengthening the governance structure of the GPIF will be immediately promoted.

## 3. PRO-GROWTH CORPORATE TAX REFORM

The government will strengthen Japan's locational attractiveness and enhance competitiveness of Japanese companies. In this context, the government aims to reduce the effective corporate tax rate to the internationally-comparable level and embarks on corporate tax reform to be more growth-oriented. To that end, the government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. The government will start the first phase reduction from the next fiscal year.

As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. The government will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.

## 4. REINFORCING WORKFORCE

The government will implement following measures in order to enhance women's participation and advancement in job market.

- introducing over 10,000 integrated after-school childcare services/programs and securing the capacity of after-school childcare centers for about 300,000 children by the end of March 2020
- obliging listed companies to disclose the number of women in executive positions in their financial reports before by March 2015
- reviewing tax and social security system to be neutral with regard to how women choose to work by the end of 2014

Together with other measures to facilitate women-friendly work places such as disseminating good practices and promoting disclosure of company information on female participation, the government aims to raise the employment rate of women (aged 25-44) from

68 percent (in 2012) to 73 percent in 2020 and to increase women occupying leading positions to 30 percent in 2020.

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

- reviewing current Technical Intern Training Systems, which invite trainees from abroad with the aim to support technology transfer, by expanding job categories and extending training period from 3 years to 5 years, possibly starting from FY2015, while drastically strengthening management and supervision schemes
- considering schemes by the end of FY 2014 to accept foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector
- designing a system by the end of this year to enable foreign nationals, who obtained the national qualifications such as “certified care worker” by learning at Japanese higher education institutions,, to work in the field of nursing care after graduation
- accepting foreign housekeeping support workers in National Strategic Special Economic Zones

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

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

- In order to meet the needs of workers who would like to be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers’ health and achieving a better work-life balance for workers who have a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session.
- Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems, the government will survey relevant systems and their operation at home and abroad. Base on the finding of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015.

## 5. DEVELOPING INDUSTRIES TO BECOME NEW GROWTH ENGINES

With regard to agricultural industries, the government will also encourage diversification of distribution channels for dairy farmers through establishing a system where farmers can select and sell their products not only to the conventional designated vendors but others from 2015. Furthermore, it would promote the “AFFrinnovation (sixth industry)”<sup>2</sup> and exports through reviewing the current capital contribution percentage rule to A-FIVE<sup>3</sup> recipients by December 2015 and creating export promotion groups respectively for such products as beef, Japanese tea and fishery products from FY2015. Through these measures, the government aims to expand the size of “AFFrinnovation” market from 1 trillion yen to ten trillion yen in 2020, and increase the size of export of agricultural and food products up to one trillion yen in 2020 (about 0.45 trillion yen in 2012).

In the area of health care sector, the government aims for establishing non-profit holding company system in 2015. It would allow multiple medical and social welfare corporations to be managed integrally. It will also design a system, required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals under the new holding company system. In addition, the government will significantly expand the system for mixed use of medical treatments covered and uncovered by public insurance (the mixed medical treatment system).

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<sup>2</sup> AFFrinnovation: Agrinnovation, Forestrinnovation, and Fisherinnovation. Adding value to agricultural, forestry, and fishery products in innovative ways, by making new combinations, and creating a value chain.

<sup>3</sup> A-FIVE is a fund, managed by Agriculture, Forestry and Fisheries Fund Corporation for Innovation, Value-chain and Expansion Japan. It provides funds, including equity, for initiatives to promote AFFrinnovation (sixth industry) and regional revitalization.

## B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

### Current and Future Growth Prospects

The Japanese economy is on a moderate recovery. Recent price developments indicate that Japanese economy is making steady steps forward to break free from deflation, as inflation expectations are rising and the CPI (excluding fresh food) recorded a 3.0 percent increase (1.0%, if effects from consumption tax hike were excluded) in September this year.

Concerning short-term prospects, although weakness remains for the time being, the economy is expected to recover, supported by the effects of the policies, while employment and income situation improve. However, attention should be given to the downside risks of the Japanese economy such as lengthening of the reaction after a last-minute rise in demand and slowing down of overseas economies.

In the medium-term, the government is determined to implement the “three-arrow” strategy with a decisive manner, which would be instrumental in reaching the target of average GDP growth rate of 3 percent in nominal terms and 2 percent in real terms over the ten-year horizon (FY2013-FY2022).

	Key Indicators					
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Real GDP (% yoy)	2.3	1.2	1.4	1.8	1.9	2.1
Nominal GDP (% yoy)	1.9	3.3	2.8	3.6	3.4	3.5
Output Gap (% of GDP)	-1.3	-0.9	-0.4	0.1	0.4	0.7
Inflation (% , yoy) (CPI) (Consumer Price Index (all items))	0.9	3.2	2.5	2.7	2.0	2.0
Fiscal Balance (% of GDP)	-7.9	-7.0	-5.1	-4.4	-4.4	-4.6
Unemployment (%)	3.9	3.5	3.5	3.4	3.3	3.3
Savings (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Investment (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Current Account Balance (% of GDP) (FY2014~, Balance by Sector, Overseas)	0.2	0.1	0.3	0.6	0.9	1.1

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

Source: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2014) and “Mid-Year Economic Projection for FY 2014” (Cabinet Office, July 2014)

## Key Drivers

The revised growth strategy aims at establishing world-leading business environment and reinforcing workforce as well as promoting private sector's innovations, which would contribute to increase in domestic investment as well as inward FDIs. With regard to specific industries, sectors such as healthcare, agriculture, energy, and infrastructure investment are expected to have significant potential for future growth, as private sector dynamism has not been fully utilized due primarily to regulatory constraints. A variety of regulatory reform measures included in the government's growth strategies are expected to unleash the potential of the private sector in these sectors.

Also, as female labor force in Japan is relatively underutilized, promoting women's labor force participation is another important source of growth for the Japanese economy. Further utilization of foreign human resources would also help.

## Assessment of Obstacles and Challenges to Growth

Our assessment of major challenges facing Japan in the four priority areas are as follows.

### <Investment>

- To promote private investment in order to improve productivity and strengthen growth potential.
- To increase inward FDI and to attract expertise and technologies from abroad, thereby creating employment opportunities and promoting innovation in Japan.
- To make more use of private funds and private expertise through PPP/PFI in developing, rehabilitating, operating or managing infrastructure.

### <Employment>

- To promote women's labor participation and to utilize foreign human resources to revitalize Japanese society.
- To facilitate the movement of labor force into growth sectors without causing unemployment
- To reduce labor market duality.

### <Competition>

- To implement regulatory reforms which will promote competition in areas such as energy and agriculture, which have been subject to heavy regulation.

### <Trade>

- To benefit more from growing markets abroad through promoting economic partnership negotiations and taking trade facilitating measures.
- To promote free trade through resisting protectionism in all its forms.

## C. POLICY RESPONSES TO LIFT GROWTH

### New Macroeconomic Policy Responses (including Reforms to Frameworks)

#### <Fiscal Policy>

Given the very high level of public debt, ensuring fiscal sustainability is essential to achieve a sustainable growth. In this regard, Japan remains fully committed to the fiscal targets included in the Medium-term Fiscal Plan (approved by the Cabinet August 2013), key component of which was included in the St. Petersburg Fiscal Template<sup>4</sup>.

On April 1st this year, the government raised the consumption tax rate from 5% to 8%. This was an important step toward achieving our fiscal targets. At the same time, the government has implemented fiscal stimulus measures in FY2013 supplementary budget (amounting to 1.1% of GDP (5.5 trillion yen)) and this year's budget in a front-loaded manner in order to mitigate negative impacts of the consumption tax rate increase and to swiftly restore stronger growth trajectory.

The government will determine by the end of this year whether to raise the consumption tax rate from 8% to 10% in October 2015, taking into account the economic conditions and other factors in a comprehensive manner.

With regard to FY2015 budget, the government aims for steadfastly reaching its target, which is to halve the primary deficit to GDP ratio by FY2015 from the ratio in FY2010. In order to achieve the target of a primary surplus by FY2020, the government will advance the consideration of a clear trajectory without delay while taking into account the compilation of the national budget for FY2015, etc.

#### <Monetary Policy>

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

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4 In this Medium-term Fiscal Plan, the government set out objectives to halve the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010 and to achieve a primary surplus by FY2020, and thereafter to steadily reduce the public debt to GDP ratio.

The government also presented intermediate objectives to improve the primary balance of the National Government's General Account at least by approximately 4 trillion yen in FY2014 and in FY2015 respectively. Also, the government set out its intention to make its utmost efforts to keep the amount of newly issued National Government bonds below that of a preceding fiscal year for the FY2014 and FY2015 budgets.

Achieving 2 percent inflation and anchoring inflation expectations at that level will elicit proactive behavior from firms and households, and will contribute to raising the growth potential of the economy.

## New Structural Policy Responses

As discussed earlier, the Japanese government announced “Japan Revitalization Strategy” last year, and revised the strategy in June 2014 in order to further accelerate its structural reforms. In this section, the new reform measures, announced in the revised growth strategy, are shown with asterisk “\*”.

### *Investment and Infrastructure*

#### **<Enhancing corporate governance, provision of risk money, and promotion of ventures \*>**

One of the major challenges for Japanese economy is to raise profitability and productivity of Japanese companies to globally compatible level. In this respect, enhancing corporate governance is key and the government has already implemented various initiatives for pro-growth corporate decisions and for promoting constructive engagement with institutional investors, including legislation for encouraging outside Board of Directors, formulation of the Stewardship Code, and introduction of the JPX-Nikkei Index 400.

Furthermore, the Tokyo Stock Exchange (TSE) will draft the Corporate Governance Code, which outlines the principles of corporate governance. A council of experts of which FSA and TSE will jointly act as a secretariat, will aim to prepare key elements of the Code by around this fall so that TSE can newly draft the Code in time for the season of general shareholders' meetings in (June,) 2015.

The Code is expected to promote corporate managers to make proactive business decisions, thus contributing to realize globally-compatible level of RoE. Enhanced corporate governance is also expected to promote Japanese companies, where appropriate, to proactively use their earnings for new capital investment, instead of accumulating internal reserves. In addition, the government promotes the Stewardship Code published in February 2014 in order for institutional investors to fulfill their fiduciary duties.

Through enhanced corporate governance and other relevant efforts, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016 (64.6 trillion yen in FY2012).

Relevant government ministries established a forum in September and have held several meetings already in order to discuss how to promote the provision of funds for growth,

including equity and mezzanine finance and medium to long-term loans, to enhance growth-oriented business innovation and other medium to long-term measures for improving productivity. The forum will publish a mid-report proposing certain measures by the end of this year and the full report will be published by mid-next year. It is necessary to mobilize private funds supply from banks, quasi-public funds valid for a specified period of time and others are not sufficient at this moment.

In order to encourage active interactions between start-ups and larger firm, the government established “Venture Business Creation Council” in September 2014. It would enhance better matching between start-ups and larger firms as well as serve a platform to develop business seeds into concrete business. The government will also review current government procurement laws to promote procurements from recently launched SME start-ups. Related bill will be presented at the next ordinary Diet session.

Through these reforms and other measures, Japan aims for entry rates of corporations to exceed exit rates of corporations, and to increase entry/exit rates close to 10% (currently at about 5%).

#### **<Reinvigorating financial and capital market and reforming management of public and quasi-public funds\*>**

The government aims for building the best financial and capital market in Asia, including through promotion of infrastructure fund and healthcare REIT, improvement in securities and fund settlement, enhancement in transparency of investment trust, and further promotion of the NISA (tax-exempt individual investment accounts). The government will also support Japanese firms’ and financial institutions’ activities in Asia. For instance, the government have just installed institutional arrangement in order to establish listed infrastructure fund market, and will encourages Japanese Bankers Association to reach conclusion on concrete proposal and schedule for how to enhance fund settlement system by the end of this year.

The Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, following based on this year’s revaluation of pension finance. It will enable the GPIF to respond to the long-term changes in the economic and investment environment, such as changes from deflation to moderate-inflation environment, in order to secure sound pension finance over an extended period of time. In addition, initiatives for strengthening the governance structure of the GPIF will be immediately promoted, such as (i) the improvement of the investment committee structure, (ii) the securement of investment professionals, (iii) accelerating discussion on other necessary measures including the necessity of law amendments etc.

#### **<Pro-growth corporate tax reform\*>**

The government will strengthen Japan’s locational attractiveness and enhance

competitiveness of Japanese companies. In this context, the government aims to reduce the effective corporate tax rate to the internationally-comparable level and embarks on corporate tax reform to be more growth-oriented. To that end, the government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. The government will start the first phase reduction from the next fiscal year.

As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. The government will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.

By strengthening Japan's locational competitiveness in combination with other measures, Japan aims to be among top 3 developed countries in the ranking of the World Bank's "Doing Business" by 2020 (ranked 19th in 2015).

#### **<Promoting Innovation and "Robot Revolution"\*>**

The government promote innovation of science and technology and develop infrastructure that links innovation technology with new business through following measures.

- establishing a "National System" that create business from innovate technology seeds, including through (i) reforming functionality of R&D institutes to enhance activities to link universities with business, (ii) allowing researchers to hold concurrent posts at universities and R&D institutes, and (iii) reforming employee invention system in order to incentivize both employees and companies (related bill will be submitted to the next ordinary session.).
- setting up the "Robotic Revolution Initiative Council" to create a 5 year plan by the end of 2014 with the aim of addressing social challenges and realizing new industrial revolution by robots.

#### **<Further regulatory reforms in National Strategic Special Zones>**

With the aim of significant increase in inward FDI, the Japanese government designated six National Strategic Special Zones in May to implement ambitious regulatory reforms. For example, in the Tokyo area, Kansai area and Fukuoka City, measures will be taken to attract foreign enterprises and promote business start-ups, such as providing clarification on employment rules/practices. In Yabu City (in Hyogo Prefecture) and Niigata City (in Niigata Prefecture), measures will be taken to enhance productivity of agriculture by facilitating entry of private enterprises into agriculture and the transfer of authority from the Agriculture Committee to local government in order to facilitate smooth farmland transactions.

In order to strengthen Japan's competitiveness as a business hub, the government

further introduce regulatory reforms in National Strategic Special Zones. Specifically, it would consider introducing (i) simplified and accelerated incorporation procedure, (ii) more convenient information services in English regarding financial administration, (iii) relaxation of bus-related regulations for improvement of airport access, and (iv) acceptance of the entrepreneurial people in National Strategic Special Zones as well as establishment of new scheme for accepting diverse foreign people. The government will soon conclude its consideration on these potential reforms and submit laws to the next Diet session, if necessary.\*

Through these reforms and other measures, Japan aims to double the inward FDI stocks to 35 trillion yen in 2020 (18.0 trillion yen at end-2013).

### **<Promoting private investment>**

To promote private investment, the government has introduced tax incentives to promote investment in facilities that would improve productivity. Furthermore, in order to reduce regulatory uncertainty surrounding new business activities, the government has put in place a new mechanism under which enterprises are able to check in advance whether any regulatory restrictions apply to their business plans.

Through these measures and other efforts, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016 (64.6 trillion yen in FY2012).

At the same time, the government is working toward strengthening financial and capital markets to promote the provision of risk money to growing businesses. A wider variety of financial products and a broader range of investors can stimulate private investment. For example, a bill was approved by the Diet which promotes the use of security based crowd-funding, aiming to provide risk money to new technologies and ideas. This new means of fundraising enables venture businesses to diversify their financing sources. Also, the government has provided tax incentives to promote investments into venture funds by private firms.

### **<Making more use of PPP/PFI>**

Regarding infrastructure investment, it is essential for Japan with high public debt to make more use of private funds and private expertise through PPP/PFI in developing, rehabilitating, operating, or managing infrastructure.

Against this backdrop, the government is planning to

- make use of PPP in repairing the Metropolitan Expressway in Tokyo.
- introduce concession contracts in the government-owned airports (e.g. SENDAI Airport) in order to allow private sector to operate and manage the airports.

In addition, the government established “Private Finance Initiative Promotion Corporation of Japan” in October 2013 with the aim of providing risk money to PFI infrastructure projects. Through these measures, Japan aims to triple the size of PPP/PFI projects over the ten years from 2012 (4.1 trillion yen → 12 trillion yen).

With regard to PFI projects for private entities awarded with infrastructure concessions, the government also set numerical targets (six airports, six water systems, six sewages and one road), and accelerated the deadline to implement 2 to 3 trillion yen worth of this type of PFI projects from 2022 to the end of FY2016.\*

## **Employment**

### **< Reinforcing Workforce and Reforming the Employment System >**

In order to reduce the number of women who leave workforce due to childbirth/child rearing and to increase the percentage of women in leadership position, the government is taking following measures.

- promoting childcare arrangements to accommodate some 200,000 additional children by the end of FY2014, and some 400,000 additional children by the end of FY2017.
- raising childcare leave benefits from 50% to 67% of wages prior to leave for the initial 6 months of leave period.

In addition, the government added the following new commitments in June 2014 in order to enhance women’s participation and advancement in job market.

- introducing over 10,000 integrated after-school childcare services/programs and securing the capacity of after-school childcare centers for about 300,000 children by the end of March 2020.\*
- obliging listed companies to disclose the number of women in executive positions in their financial reports before by March 2015.\*
- reviewing tax and social security system to be neutral with regard to how women choose to work by the end of 2014.\*

Together with other measures to facilitate women-friendly work places such as disseminating good practices and promoting disclosure of company information on female participation, the government aims to raise the employment rate of women (aged 25-44) from 68 percent (in 2012) to 73 percent in 2020 and to increase women occupying leading positions to 30 percent in 2020.

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

- reviewing current Technical Intern Training Systems, which invite trainees from

abroad with the aim to support technology transfer, by implementing measures such as expanding job categories and extending training period from 3 years to 5 years, possibly starting from FY2015, while drastically strengthening management and supervision schemes.\*

- considering schemes by the end of FY 2014 to accept foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector.\*
- designing a system by the end of this year to enable foreign nationals, who obtained the national qualifications such as “certified care worker” by learning at Japanese higher education institutions, to work in the field of nursing care after graduation.\*
- accepting foreign housekeeping support workers in National Strategic Economic Special Zones.\*

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

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

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

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

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

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

- In order to meet the needs of workers who would like to be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers' health and achieving a better work-life balance for workers who have a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session. \*
- Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective

employment systems, the government will survey relevant systems and their operation at home and abroad. Base on the finding of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015. \*

## **Competition**

### **<Agriculture sector>**

- The government has taken measures to facilitate the participation of various entities, including private companies, into agriculture sector by establishing “Farmland Banks” to consolidate the fragmented farmland ownerships.
- Through these measures, the government aims to quadruple the number of farms run by corporate farmers over the next ten years.
- The government will undertake integrated regulatory reform of Agricultural Committee and others so that highly-motivated and business-minded farmers can pursue more dynamic production and operation with taking advantage of knowledge of corporations. Related bills will be submitted to the ordinary Diet session in 2015.\*
- The government will also encourage diversification of distribution channels for dairy farmers through establishing a system where farmers can select and sell their products not only to the conventional designated vendors but others from 2015. Furthermore, it would promote the “AFFrinnovation (sixth industry)” and exports through reviewing the current capital contribution percentage rule to A-FIVE recipients by December 2015 and creating export promotion groups respectively for such products as beef, Japanese tea and fishery products from FY2015.\*
- Through these measures, the government aims to expand the size of “AFFrinnovation” market from 1 trillion yen to ten trillion yen in 2020, and increase the size of export of agricultural and food products up to one trillion yen in 2020 (about 0.45 trillion yen in 2012).

### **<Healthcare sector>**

- The government aim for establishing non-profit holding company system in 2015. It would allow multiple medical and social welfare corporations to be managed in an integrated manner. It will also design a system, required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals under the new holding company system.\*
- The government will significantly expand the system for mixed use of medical treatments covered and uncovered by public insurance (the mixed medical treatment system).\*

### **<Energy sector>**

- Japan has taken measures to liberalize fully the retail electricity market by around 2016 to encourage entry of diverse players. The bill for introducing the full retail competition was approved in the ordinary Diet session of 2014.
- The government plans to submit a bill to the next ordinary Diet session, which secures further neutrality of electricity transmission and distribution sectors from generation and retail sectors by legal unbundling. It intends to complete entire the Electricity System Reform by 2020 at the latest.\*
- These measures will expand choices for consumers and business opportunities, thereby suppressing electricity rates to the maximum extent possible and securing a stable supply.

### <Trade>

- Japan will continue to promote economic partnership negotiations, including TPP (Trans Pacific Partnership), RCEP (Regional Comprehensive Economic Partnership), the Japan-China-ROK FTA, and the Japan-EU EPA, with the aim to increase the FTA coverage ratio to 70% from current 23% by 2018.
  - Japan signed the Japan-Australia EPA in July 2014.
  - Japan reached an agreement in principle in the negotiations of the Japan-Mongolia EPA in July 2014.
  - Japan aims to reach agreement in principle on the Japan-EU EPA during 2015.
  - Japan will accelerate negotiations further on the Trans-Pacific Partnership towards its early conclusion.
- The government will take trade facilitating measures such as streamlining trade-related procedures and extending opening hours of ports and harbors.
- Japan will continue to resist protectionism in all its forms, including export restrictions and local content requirements, amongst others through complying with the G20 standstill and rollback commitments.

### *Other measures*

#### <Revitalization and structural reform of local area \*>

The government will amend the Local Revitalization Law and establish a one-stop platform for planning and implementing regional revitalization efforts. The amendment of the law will be submitted to the next ordinary Diet session.

In order to overcome demographic challenges and aging society as well as build dynamic local economic structure, it is necessary to present a long-term and comprehensive vision for local economy. In this respect, the government established a headquarter function

to promote various policies in comprehensive manner. The new headquarter's objectives include (i) maintaining regional economy's vitality through consolidation, integration, and networking of industry, employment, and urban functions in order to slow the outward migration to Tokyo, and (ii) overcoming the declining population and birth rate.

# ANNEX 1: ST. PETERSBURG FISCAL TEMPLATE — UPDATE

## 1. Update on Fiscal Strategy:

As noted earlier, the Japanese government is fully committed to the Medium-term Fiscal Plan, key component of which was included in the St. Petersburg Fiscal Template.

The government raised the consumption tax rate from 5% to 8% on April 1, 2014.

At the same time, the government has implemented fiscal stimulus measures in FY2013 supplementary budget (amounting to 1.1% of GDP (5.5 trillion yen)) and this year's budget in a front-loaded manner in order to mitigate negative impacts of the consumption tax rate increase and to swiftly restore stronger growth trajectory.

In the FY2014 budget, the primary balance of the General Account of the national government will be improved by 5.2 trillion yen, more than the amount targeted in the Medium-term Fiscal Plan (approximately 4 trillion yen) and compared with last year, the amount of newly-issued government bonds will be reduced by 1.6 trillion yen. As a result, achieving the FY2015 target is now on the horizon.

The government will determine by the end of this year whether to raise the consumption tax rate from 8% to 10% in October 2015, taking into account the economic conditions and other factors in a comprehensive manner.

Through these efforts, Japan will do its best to realize both economic growth and fiscal consolidation.

### Medium-term fiscal strategies:

#### a. Overall strategy for debt sustainability

Virtuous cycle of economic revitalization and fiscal consolidation is indispensable. As for fiscal consolidation, the government will make its utmost efforts both on the expenditure and revenue sides to ensure that the current extremely deteriorated fiscal situation will not hinder progress in economic revitalization. The government will prioritize and streamline public expenditures so that they will contribute to economic growth and development more effectively. On the revenue side, it will seek a more growth-oriented tax system.

#### b. Debt-to-GDP ratio objective

- The government set out an objective to halve the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010 and to achieve a primary surplus by FY2020, and thereafter to steadily reduce the

public debt to GDP ratio.

In order to achieve the target of a primary surplus by FY2020, the government will advance the consideration of a clear trajectory without delay while taking into account the compilation of the national budget for FY2015, etc.,.

- The government also presented intermediate objectives to improve the primary balance of the National Government's General Account at least by approximately 4 trillion yen in FY2014 and in FY2015 respectively. Also, the government set out its intention to make its utmost efforts to keep the amount of newly issued National Government bonds below that of a preceding fiscal year for the FY2014 and FY2015 budgets.

c. Expenditure and revenue reforms

Regarding the expenditure for social security which is increasing due to the aging population, etc., the government will steadily implement the measures for establishing the sustainable social security system, while aiming at the balance between the benefits and the contributions in the medium term.

With regard to the other expenditures, the government will constrain them as much as possible through further prioritization and streamlining.

On April 1st this year, the government raised the consumption tax rate from 5% to 8%. Consumption tax hike to 10% will be decided by the end of this year, taking various economic and other situations into account.

2. Medium-term projections, and change since last submission:

	Projections						
	FY2012	FY2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Gross Debt (% of GDP)	187.5	192.3	192.7	192.5	190.4	189.0	187.7
<i>ppt change</i>	-0.6	1.7	1.3	2.1	1.8	1.1	-
Fiscal Balance (% of GDP)	-7.7	-7.9	-7.0	-5.1	-4.4	-4.4	-4.6
<i>ppt change</i>	0.9	1.2	-0.6	0.3	0.5	0.7	-
Primary Balance (% of GDP)	-5.9	-6.2	-5.1	-3.2	-2.4	-2.2	-2.1
<i>ppt change</i>	0.5	0.8	-0.8	0.1	0.2	0.2	-

Note1: Figures in this table refer to those of the national and local governments combined. They exclude the expenditures and revenues related to the recovery and reconstruction from the Great

East Japan Earthquake.

Note2: “ppt change” means the change from the data presented in the St. Petersburg Fiscal Template (September 2013)

Source: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2014)

3. Economic Assumptions, and change since last submission:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

	Projections						
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Real GDP growth (%)	0.7	2.3	1.2	1.4	1.8	1.9	2.1
<i>ppt change</i>	-0.5	-0.5	0.2	-0.6	-0.1	-0.1	-
Nominal GDP growth (%)	-0.2	1.9	3.3	2.8	3.6	3.4	3.5
<i>ppt change</i>	-0.5	-0.7	0.2	-0.9	-0.3	-0.1	-
LT interest rate (%)	0.8	0.7	1.0	1.6	2.3	2.7	3.1
<i>ppt change</i>	0.0	-0.4	-0.4	-0.7	-0.4	-0.3	-

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

Source: “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July 2014) and “Mid-Year Economic Projection for FY 2014” (Cabinet Office, July 2014)

## ANNEX 2: NEW POLICY COMMITMENTS

*In this Annex, the new reforms measures, announced in the revised growth strategy and “Basic Policies for the Economic and Fiscal Management and Reforms 2014” (both published in June 2014), are shown with asterisk “\*”.*

### [1. Macroeconomic Policy Responses]

<ul style="list-style-type: none"> <li><b>*Making progress on fiscal consolidation and economic revitalization:</b></li> </ul>	<p>The government will make its utmost efforts both on the expenditure and revenue sides to ensure that the current extremely deteriorated fiscal situation will not hinder progress in economic revitalization. The government will prioritize and streamline public expenditures so that they will contribute to economic growth and development more effectively.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The government intends to steadfastly reaching its budget target for FY2015, which is to halve the primary deficit to GDP ratio from the ratio of FY2010. In order to achieve the target of a primary surplus by FY2020, the government will advance the consideration of a clear trajectory without delay while taking into account the compilation of the national budget for FY2015, etc.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>The government set out objectives to halve the primary deficit of the national and local governments to GDP ratio by FY2015 from the ratio in FY2010, and achieve a primary surplus by FY2020, and thereafter to steadily reduce the public debt to GDP ratio.</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The above commitments reflect the government position, announced in “Basic Policies for the Economic and Fiscal Management and Reform 2014” (published in June 2014).</p>

**[2. Investment and Infrastructure]**

<ul style="list-style-type: none"> <li>• <b>*Enhancing corporate governance, provision of risk money, and promotion of ventures:</b></li> </ul>	<p>The Tokyo Stock Exchange (TSE) will draft the Corporate Governance Code, which outlines the principles of corporate governance.</p> <p>Relevant government ministries established a forum in September and have held several meetings already in order to discuss how to promote the provision of funds for growth, including equity and mezzanine finance and medium to long-term loans, to enhance growth-oriented business innovation and other medium to long-term measures for improving productivity. The forum will publish a mid-report proposing certain measures by the end of this year and the full report will be published by mid-next year. It is necessary to mobilize private funds, including those with long-term maturity, for these purposes, where funds supply from banks, quasi-public funds valid for a specified period of time and others, are not sufficient at this moment.</p> <p>In addition, in order to encourage active interactions between start-ups and larger firm, the government established “Venture Business Creation Council” in September 2014. It would enhance better matching between start-ups and larger firms as well as serve a platform to develop business seeds into concrete business. The government will also review current government procurement laws to promote procurements from recently launched SME start-ups. Related bill will be presented at the next ordinary Diet session.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>. A council of experts of which FSA and TSE will jointly act as a secretariat, will aim to prepare key elements of the Code by around this fall so that TSE can newly draft the Code in time for the season of general shareholders’ meetings in (June,) 2015. Other measures also have specific timelines.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>Through enhanced corporate governance and other relevant efforts, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016. It also aims for entry rates of corporations to exceed exit rates of corporations, and to increase entry/exit rates close to 10% (currently at about 5%).</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government announced this commitment in the revised “Japan Revitalisation Strategy” in June 2014.</p>

<ul style="list-style-type: none"> <li><b>*Reinvigorating financial and capital market and reforming management of public and quasi-public funds:</b></li> </ul>	<p>The government aims for building the best financial and capital market in Asia, including through promotion of infrastructure fund and healthcare REIT, improvement in securities and fund settlement, enhancement in transparency of investment trust, and further promotion of the NISA. The government will also support Japanese firms' and financial institutions' activities in Asia.</p> <p>The Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, based on this year's revaluation of pension finance. It will enable the GPIF to respond to the long-term changes in the economic and investment environment, such as changes from deflation to moderate-inflation environment, in order to secure sound pension finance over an extended period of time. In addition, initiatives for strengthening the governance structure of the GPIF will be immediately promoted, such as (i) the improvement of the investment committee structure, (ii) the securement of investment professionals, (iii) accelerating discussion on other necessary measures including the necessity of law amendments etc.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>For instance, the government have just installed institutional arrangement in order to establish listed infrastructure fund market, and will encourages Japanese Bankers Association to reach conclusion on concrete proposal and schedule for how to enhance fund settlement system by the end of this year.</p> <p>The GPIF will appropriately revise its policy asset mix as quickly as possible.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>These measures are expected to contribute for Japan to be among to 3 developed countries in the ranking of the World Bank's "Doing Business" by 2020 (ranked 19th in 2015)</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government announced this commitment in the revised "Japan Revitalisation Strategy" in June 2014.</p>

<ul style="list-style-type: none"> <li>• <b>*Pro-growth corporate tax reform:</b></li> </ul>	<p>The government will strengthen Japan’s locational attractiveness and enhance competitiveness of Japanese companies. In this context, the government aims to reduce the effective corporate tax rate to the internationally-comparable level and embarks on corporate tax reform to be more growth-oriented. To that end, the government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. The government will start the first phase reduction from the next fiscal year. As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. The government will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The first phase of reduction of the corporate tax rate will start from FY2015</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>By strengthening Japan’s locational competitiveness in combination with other measures, Japan aims to be among to 3 developed countries in the ranking of the World Bank’s “Doing Business” by 2020 (ranked 19th in 2015)</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government announced this commitment in the revised “Japan Revitalisation Strategy” and “Basic Policies for the Economic and Fiscal Management and Reform 2014” in June 2014.</p>

<ul style="list-style-type: none"> <li><b>*Promoting Innovation and “Robot Revolution”:</b></li> </ul>	<p>The government promote innovation of science and technology and develop infrastructure that links innovation technology with new business through following measures.</p> <ul style="list-style-type: none"> <li>- establishing a “National System” that create business from innovate technology seeds, including through (i) reforming functionality of R&amp;D institutes to enhance activities to link universities with business, (ii) allowing researchers to hold concurrent posts at universities and R&amp;D institutes, and (iii) reforming employee invention system in order to incentivize both employees and companies (related bill will be submitted to the next ordinary session.).</li> <li>- setting up the “Robotic Revolution Initiative Council” to create a 5 year plan by the end of 2014 with the aim of addressing social challenges by robots and new industrial revolution.</li> </ul>
<p><b>Implementation path and expected date of implementation</b></p>	<p>Most of these measures have specific deadlines.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>These measures will help to further promote innovation in Japan.</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government announced this commitment in the revised “Japan Revitalisation Strategy” in June 2014.</p>

<ul style="list-style-type: none"> <li><b>*Further regulatory reforms in National Strategic Special Zones FDI:</b></li> </ul>	<p>The government further introduce regulatory reforms in National Strategic Special Zones. Specifically, it would consider introducing (i) simplified and accelerated the incorporation procedure, (ii) more convenient information services in English regarding financial administration, (iii) relaxation of bus-related regulations for improvement of airport access, and (iv) acceptance of the entrepreneurial people in National Strategic Special Zones as well as establishment of new scheme for accepting diverse foreign people.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The government will use two years until FY2015 as period when it pursue structural reforms with enhanced efforts through National Strategic Special Zones. It will soon conclude its consideration on the above-mentioned reforms and submit laws to the next Diet session, if necessary.</p>

<b>What indicator(s) will be used to measure progress?</b>	Through these measures and other measures, Japan aims to double the inward FDI stocks to 35 trillion yen to 2020 (18.0 trillion yen at end-2013).
<b>Explanation of additionality (where relevant)</b>	The government announced this commitment in the revised “Japan Revitalisation Strategy” in June.

<ul style="list-style-type: none"> <li><b>Promoting private investment:</b></li> </ul>	<p>The government has introduced tax incentives to promote investment in facilities that would improve productivity. The government has also put in place a new mechanism under which enterprises are able to check in advance whether any regulatory restrictions apply to their business plans.</p> <p>A bill was approved by the Diet which promotes the use of security based crowd-funding, aiming to provide risk money to new technologies and ideas. The government has also provided tax incentives to promote investments into venture funds by private firms.</p>
<b>Implementation path and expected date of implementation</b>	The government will implement these measures, as announced.
<b>What indicator(s) will be used to measure progress?</b>	Through these measures and other efforts, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY 2016 (64.6 trillion yen in FY2012)
<b>Explanation of additionality (where relevant)</b>	The government announced this commitment in the revised “Japan Revitalisation Strategy” and “Basic Policies for the Economic and Fiscal Management and Reform 2014” in June 2014.

<ul style="list-style-type: none"> <li><b>Making more use of PPP/PFI:</b></li> </ul>	<p>The government is planning to make use of PPP in repairing the Metropolitan Expressway in Tokyo, and introduce concession contracts in the government-owned airports. It also established “Private Finance Initiative Promotion Corporation of Japan” in October 2013.</p>
<b>Implementation path and expected date of implementation</b>	With regard to PFI projects for private entities awarded with infrastructure concession, the government set numerical targets for number of projects (six airports, six water system, six sewage and one road project) as well as size of projects (2 to 3 trillion yen), accelerated from previous deal line of FY2022 by the end of FY2016.*

<b>What indicator(s) will be used to measure progress?</b>	Japan aims to triple the size of PPP/PFI projects over the ten years from 2012 (4.1 trillion yen → 12 trillion yen).
<b>Explanation of additionality (where relevant)</b>	The government announced numerical targets for PFI projects for private entities awarded with infrastructure concession in the revised “Japan Revitalisation Strategy” in June 2014.

**[3. Employment]**

<ul style="list-style-type: none"><li>• Reinforcing Workforce and Reforming the Employment System:</li></ul>	<p>In order to reduce the number of women who leave workforce due to childbirth/child rearing and to increase the percentage of women in leadership position, the government is taking following measures.</p> <ul style="list-style-type: none"><li>- promoting childcare arrangements to accommodate some 200,000 additional children by the end of FY2014, and some 400,000 additional children by the end of FY2017.</li><li>- raising childcare leave benefits from 50% to 67% of wages prior to leave for the initial 6 months of leave period.</li></ul> <p>In addition, the government added the following new commitments in June 2014 in order to enhance women’s participation and advancement in job market.</p> <ul style="list-style-type: none"><li>- introducing over 10,000 integrated after-school childcare services/programs and securing the capacity of after-school childcare centers for about 300,000 children by the end of March 2020.*</li><li>- obliging listed companies to disclose the number of women in executive positions in their financial reports before by March 2015.*</li><li>- reviewing tax and social security system to be neutral with regard to how women choose to work by the end of 2014.*</li></ul>
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- Reinforcing Workforce and Reforming the Employment System: (continued)

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

- reviewing current Technical Intern Training Systems, which invite trainees from abroad with the aim to support technology transfer, by implementing measures such as expanding job categories and extending training period from 3 years to 5 years, possibly starting from FY2015, while drastically strengthening management and supervision schemes.\*
- considering schemes by the end of FY 2014 to accept foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector.\*
- designing a system by the end of this year to enable foreign nationals, who obtained the national qualifications such as “certified care worker” by learning at Japanese higher education institutions, to work in the field of nursing care after graduation.\*
- accepting foreign housekeeping support workers in National Strategic Economic Special Zones.\*

- Reinforcing Workforce and Reforming the Employment System: (continued)

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

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

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

In terms of improving non-regular workers' careers and their working conditions and promoting workers' work-life balance, it will also consider support in FY 2014 and implement it in FY 2015 in order to spread and promote "diversified regular worker", which is different from usual regular workers in terms of definition for his or her duty, working place or working hours.\*

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

- In order to meet the needs of workers who would like be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers' health and achieving a better work-life balance for workers who have a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session. \*

- Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems, the government will survey relevant systems and their operation at home and abroad. Base on the finding of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015.\*

<b>Implementation path and expected date of implementation</b>	Most of these measures has specific deadlines
<b>What indicator(s) will be used to measure progress?</b>	<p>Together with other measures to facilitate women-friendly work places such as disseminating good practices and promoting disclosure of company information on female participation, the government aims to raise the employment rate of women (aged 25-44) from 68 percent (in 2012) to 73 percent in 2020 and to increase women occupying leading positions to 30 percent in 2020.</p> <p>Through these measures and other efforts, the government aims to increase ratio of hire who had changed jobs to 9% in five years (7.4% in 2011).</p>
<b>Explanation of additionality (where relevant)</b>	The government announced some of these commitments in the revised “Japan Revitalisation Strategy” in June 2014.

#### [4. Competition]

<ul style="list-style-type: none"> <li>• Agriculture sector:</li> </ul>	<p>The government has taken measures to facilitate the participation of various entities, including private companies, into agriculture sector by establishing “Farmland Banks” to consolidate the fragmented farmland ownerships.</p> <p>The government will also undertake integrated regulatory reform of Agricultural Committee and others so that highly-motivated and business-minded farmers can pursue more dynamic production and operation with taking advantage of knowledge of corporations. Related bills will be submitted to the ordinary Diet session in 2015.*</p> <p>The government will also encourage diversification of distribution channels for dairy farmers through establishing a system where farmers can select and sell their products not only to the conventional designated vendors but others from 2015. Furthermore, it would promote the “AFFrinnovation (sixth industry)” and exports through reviewing the current capital contribution percentage rule to A-FIVE recipients by December 2015 and creating export promotion groups respectively for such products as beef, Japanese tea and fishery products from FY2015.*</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The government nominated “Farmland Banks” in 43 prefectures by June. Other reform measures have specific timelines.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>Through these measures, the government aims to quadruple the number of farms run by corporate farmers over the next ten years, expand the size of “AFFrinnovation” market from 1 trillion yen to ten trillion yen in 2020, and increase the size of export of agricultural and food products up to one trillion yen in 2020 (about 0.45 trillion yen in 2012).</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government made progress in this reform by nominating specific “Farmland Banks” and announced to undertake integrated regulatory reform of Agricultural Committee in the revised “Japan Revitalisation Strategy” in June 2014.</p>

<ul style="list-style-type: none"> <li>Healthcare sector:</li> </ul>	<p>The government aim for establishing non-profit holding company system in 2015. It would allow multiple medical and social welfare corporations to be managed in an integrated manner. It will also design a system, required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals under the new holding company system.*</p> <p>The government will significantly expand the system for mixed use of medical treatments covered and uncovered by public insurance (the mixed medical treatment system) .*</p>
<b>Implementation path and expected date of implementation</b>	<p>Most of these measures have specific timelines.</p>
<b>What indicator(s) will be used to measure progress?</b>	<p>These measures will promote revitalization of the healthcare industry through the provision of efficient and high quality services.</p>
<b>Explanation of additionality (where relevant)</b>	<p>The government announced some of these commitments in the revised “Japan Revitalisation Strategy” in June 2014.</p>

<ul style="list-style-type: none"> <li>Energy sector:</li> </ul>	<p>Japan has taken measures to liberalize fully the retail electricity market by around 2016 to encourage entry of diverse players.</p> <p>The government plans to submit a bill to the next ordinary Diet session , which secures further neutrality of electricity transmission and distribution sectors from generation and retail sectors by legal unbundling.*</p>
<b>Implementation path and expected date of implementation</b>	<p>The government has set specific schedule for three stages of the Electricity System Reforms, namely (i) establishment of the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) in 2015, (ii) full retail competition in 2016, and (iii) legal unbundling of transmission and distribution sectors at around 2018 - 2020. It intends to complete entire electricity reforms by 2020 at the latest.</p>
<b>What indicator(s) will be used to measure progress?</b>	<p>These measures will expand options for customers and create business opportunities for business.</p>
<b>Explanation of additionality (where relevant)</b>	<p>The government announced some of these commitments in the revised “Japan Revitalisation Strategy” in June 2014.</p>

## [5. Trade]

<ul style="list-style-type: none"> <li>Promoting economic partnership negotiations, taking trade facilitating measures, and resisting protectionism:</li> </ul>	<p>Japan will continue to promote economic partnership negotiations, including TPP (Trans Pacific Partnership), RCEP (Regional Comprehensive Economic Partnership), the Japan-China-ROK FTA, and the Japan-EU EPA. The government will take trade facilitating measures such as streamlining trade-related procedures and extending opening hours of ports and harbors. Japan will resist protectionism in all its forms including export restrictions and local content requirements, amongst others through complying with the G20 standstill and rollback commitments.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The government will continue to participate in TPP and other economic partnership negotiations.</p> <ul style="list-style-type: none"> <li>Japan signed the Japan-Australia EPA in July 2014.</li> <li>Japan reached an agreement in principle in the negotiations of the Japan-Mongolia EPA in July 2014.</li> <li>Japan aims to reach agreement in principle on the Japan-EU EPA during 2015.</li> <li>Japan will accelerate negotiations further on the Trans-Pacific Partnership towards its early conclusion.</li> </ul>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>The government aims to increase the FTA coverage ratio to 70% from current 23% by 2018</p>
<p><b>Explanation of additionality (where relevant)</b></p>	

## [5. Other Measures]

<ul style="list-style-type: none"> <li>• Revitalization and structural reform of local area *</li> </ul>	<p>The government will amend the Local Revitalization Law and establish a one-stop platform for planning and implementing regional revitalization efforts. The amendment of the law will be submitted to the next ordinary Diet session.</p> <p>In order to overcome demographic challenges and aging society as well as build dynamic local economic structure, it is necessary to present a long-term and comprehensive vision for local economy. In this respect, the government established a headquarter function to promote various policies in comprehensive manner. The new headquarter's objectives include (i) maintaining regional economy's vitality through consolidation, integration, and networking of industry, employment, and urban functions in order to slow the outward migration to Tokyo, and (ii) overcoming the declining population and birth rate.</p>
<p><b>Implementation path and expected date of implementation</b></p>	<p>The amendment of the law referred in these measures will be submitted to the next ordinary Diet Session.</p>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>These measures will promote the development of local economy.</p>
<p><b>Explanation of additionality (where relevant)</b></p>	<p>The government announced some of these commitments in the revised "Japan Revitalisation Strategy" in June 2014.</p>