

Provisional Translation

On the New Growth Strategy

June 18, 2010
Cabinet Decision

The Cabinet hereby issues the New Growth Strategy as described in the attached materials.

The New Growth Strategy
Blueprint for Revitalizing Japan

June 18, 2010

CHAPTER I NEW GROWTH STRATEGY: BRINGING ABOUT A "STRONG ECONOMY," "ROBUST PUBLIC FINANCES" AND A "STRONG SOCIAL SECURITY SYSTEM"

The Japanese economy has continued to stagnate for nearly 20 years since the collapse of the bubble economy at the beginning of the 1990s. As a result, the people have lost their self-confidence, and they have been demoralized by uncertainty over the future course of Japan. The main causes of the sense of impasse that has persisted in Japan are the stagnant economy, the swelling fiscal deficit and the loss of confidence in the social security system. The new Cabinet is determined to bring about a "strong economy, "robust public finances" and a "strong social security system" in an integrated manner. By implementing the New Growth Strategy, which sets forth strategies for achieving a "strong economy," we will lift Japan out of the economic impasse that has lasted nearly twenty years and revive it as a vigorous country.

Reviving the Economy by a "Third Approach"

In its economic policy management, Japan has been constrained by the experience of the failure of the past two policy approaches which were not well adapted to changes in the industrial and social structures.

The First Approach was economic policy centering on public works. In the period of Japan's rapid economic growth during the 1960s and 1970s, improvements in roads, seaports, airports and other facilities led to increased productivity and acted as the driving force of the growth.

However, in the 1980s, when basic infrastructure had already been well developed, the positive link between public works investment and economic benefits broke down, and from the 1990s onwards, the situation changed completely, with the social and industrial structures undergoing changes and the efficiency of investment in conventional infrastructures declining. Still, the government continued pork-barrel spending in order to protect the vested interests without a clear vision for fostering future growth industries. An increase in inefficient public works investment made as part of fiscal pump-priming to overcome recession created a vicious circle in which the increased spending led to further loss of local vitality while neither contributing

to economic growth nor raising the living standards of the people. The expansion of public works investment intended as an anti-recession measure did not produce positive effects as such investment was inefficient.

The Second Approach was a productivity-oriented economic policy that was based on excessive market fundamentalism and was overly tilted toward the supply side.

Improving business performance through restructuring may be appropriate from the perspective of an individual company in some cases. However, if we look at the situation of the whole country, we find that this policy has driven many people out of their jobs, squeezed the people's life and aggravated deflation. Public awareness has grown about the widening social gap as represented by the emergence of a class of people known as the "working poor," leading to a sharp rise in social unease. A troubled company may resort to business restructuring and layoff of employees but a troubled country has no such option. Although it may be important to improve productivity, it is more important to expand demand and employment.

Learning from the lessons of these two unsuccessful policy approaches, we are pursuing the "Third Approach" as a policy well suited to the current circumstances of Japan. This policy aims to achieve economic growth by turning the problems faced by the economy and society into opportunities for creating new demand and employment. We will attain this objective by implementing the New Growth Strategy, which places top priority on bringing about a "strong economy," "robust public finances" and a "strong social security system" in an integrated manner.

Establishing sustainable fiscal and social security systems and enhancing social safety nets will lay the foundation for economic growth by creating jobs and dispelling the people's concern over the future course of Japan. As the establishment of safety nets, economic revitalization and the restoration of fiscal health complement one another, policy measures to ensure a "strong economy," "robust public finances" and a "strong social security system" should be regarded as having a mutually beneficial "win-win" relationship.

Achieving a "Strong Economy"

The global financial crisis of 2008 delivered a direct blow to the Japanese economy, which was overly dependent on external demand, causing deeper damage to Japan than to other countries. To achieve a strong economy, we will need to create stable demand, both domestically and externally, and establish an economic structure that enables wealth to be widely circulated, in addition to strengthening the competitiveness of Japanese industry.

The key to creating demand is the pursuit of a "problem-solving" national strategy. We will seek to create new demand and jobs by tackling head-on the pile of new problems faced by the economy and society and presenting solutions for them. Based on this idea, the New Growth Strategy has identified such growth areas as "green innovation," "life innovation," "the Asian economy" and "tourism and the regions." We will also implement strategies related to "science and technology and information and communications technology," "employment and human resources" and the "financial sector," which are areas essential to supporting growth.

The first area, "green innovation," includes measures to combat global warming, such as setting the goal of achieving a 25% reduction in greenhouse gas emissions by 2020. There are many industry sectors in which the development of new technologies and the creation of new businesses are expected, such as the transportation sector, lifestyle-related sector and the energy sector, which includes the nuclear power and renewable energy industries, as well as urban development. Huge demand is waiting to be tapped in these areas.

In relation to the second area, "life innovation," we will seek to make Japan a "healthcare superpower." Until now, social security has attracted attention mainly in terms of financial burden on public finances in the context of Japan's declining childbirth rate and aging society, and there has been a tendency to regard social security as an impediment to economic growth. If people are worried or skeptical about the strength of social security — whether it be medical or nursing care, pensions or child care — they will lack the confidence to allocate their money to consumption. Meanwhile, as social security involves many sectors that bring about growth through job creation, enhancing social security can create jobs and lead to growth at the same time.

In order to provide strong social security and present a Japanese model for overcoming the problems of a declining birth-rate and an aging society, we will implement reforms to rebuild pension, medical care and nursing care systems. Enhancing our system of child-care support is another issue that cannot wait. In addition to child allowance, the government will make an all-out effort to provide full-fledged child-care services by eliminating classroom waiting lists for pre-school children and by integrating kindergartens and nursery schools.

The third area is an "Asian economic strategy." Many parts of Asia, which are continuing to record rapid economic growth, are confronted with problems concerning urbanization and industrialization as well as the accompanying environmental problems. There are also concerns about the falling birthrates and the aging of society. These countries will need to improve social infrastructures, such as railways, roads, power supply lines and waterworks, which have been almost fully developed in Japan. Japan will be able to meet new demand in Asian markets by leading other countries in presenting models of how problems can be overcome. In order to capture such demand, we will strengthen personnel exchanges with other countries, improve infrastructures so as to reinforce the hub functions of airports and seaports and carry out regulatory reforms.

In the fourth area, "strategies for promoting a tourism-oriented nation and local revitalization," promoting tourism using Japan's cultural heritage and beautiful nature will play a critical role in local revitalization. Already, the visa issuance conditions have been drastically relaxed in order to increase the number of tourists from China.

If agricultural, mountainous and fishing villages can handle production, processing and distribution on their own in an integrated manner, thereby creating new added value, it would generate local jobs and develop sound local communities in which to bear and rear children. Developing agriculture, forestry and fisheries as core local industries will also help to raise Japan's food self-sufficiency ratio. In particular, forestry is expected to play a new role in a low-carbon society. The trees that were planted after the end of World War II have now fully grown, providing a good opportunity to revitalize the forest

industry by improving road networks and providing other support. The introduction of income support direct payment for farm household and other policy measures for agriculture, forestry and fisheries will be implemented from this perspective.

In order to promote local revitalization, we will develop truly essential social infrastructures in a strategic manner by utilizing the know-how and financial resources of the private sector. We will also support small and medium-size companies brimming with entrepreneurship.

To support these growth areas, we will reinforce Japan's superiority in science and technology that has been developed over a long period of time in line with the "strategy for making Japan a superpower in science and technology and information and communications technology," the fifth area. We will implement regulatory reforms and review support mechanisms so as to encourage effective and efficient development of technology. The education environment will be improved so as to encourage talented, aspiring young people to pursue a science career. The research environment will also be enhanced so as to attract excellent researchers from around the world. We will also promote the utilization of digital contents and other intellectual properties, which form a foundation that spurs new innovation, and information and communications technologies, including crowd computing, which enhance the competitiveness of industry.

In the sixth area of "employment and human resources strategies," we will promote human resource development in the new growth areas. To overcome constraints such as a diminishing working population due to the falling birth-rate and the aging of the population, we will seek to increase employment of youth, women and elderly people. Moreover, we will aim to secure stable employment, including helping non-regular workers obtain regular jobs, promote practical vocational training mainly in the new growth areas in accordance with changes in the industrial structure, and enable the people to engage in "decent work," which refers to rewarding work that maintains the human dignity of the worker. We will promote a gender-equal society by creating an environment in which women will be given more opportunities to exert their abilities.

The development of “superior human resources,” represented by young people who will support sustainable growth and people with creativity (know-how), will be the driving force of growth. We will build a rich reservoir of human resources by enhancing the skills of individuals in various fields, including education, sports and culture.

Keeping in mind that the development of “superior human resources,” the driving force of growth, is an investment for the future, we will expand public investment in effective measures so that Japan can attain the world’s highest level of education and research and development.

Under the “financial strategies,” the seventh area, we will ensure that the financial sector (a) supports the real economy and businesses and (b) leads the economy by acting as a growth industry itself. To that end, we will build a new financial industry capable of providing growth capital that is suited to the category and characteristics of each loan, investment and support recipient. We will also promote the “evolution of the financial system” so as to support innovation-oriented business management from a long-term perspective. Moreover, in order to enable the financial sector itself to prosper as a growth industry, we will enhance the international competitiveness of the industry and the financial markets by developing the infrastructures of the markets and exchanges, implementing reform of the legal framework related to the financial sector, and improving the credibility and user-friendliness of the industry.

Under the "New Growth Strategy," which incorporates concrete measures in the seven strategic areas, the public and private sectors will work together to achieve a "strong economy" capable of recording an average annual growth of more than 3 percent in nominal terms and 2 percent in real terms in the period leading to fiscal 2020. As we regard the overcoming of deflation as the top priority task in our macroeconomic policy management, the government will work with the Bank of Japan to launch vigorous and comprehensive policy efforts.

We can lift Japan out of the economic impasse that has lasted nearly twenty years and revive it as a vigorous country only if we successfully implement the

strategies set forth by the New Growth Strategy.

Japan failed in the past to carry out reforms in line with national targets mainly because of a lack of political leadership. Politics has been conducted in ways to represent the interests of individual groups and particular regions, and there was a lack of strong political leadership to carry out reforms from the perspective of the future of Japan as a whole. We will present our vision of the future of Japan, seek to form a national consensus on it, and implement policies with strong leadership so that we can achieve our targets.

CHAPTER II BASIC POLICIES FOR THE NEW GROWTH STRATEGY – SHORING UP THE ECONOMY, PUBLIC FINANCES AND SOCIAL SECURITY IN AN INTEGRAL MANNER –

Japan's economic growth has remained very weak for nearly 20 years since the collapse of the bubble. Over this period, the people have suffered from difficulties such as unemployment and salary cuts, and they have felt a sense of impasse. The New Growth Strategy must be based on calm and accurate recognition of the cause of the anemic growth and incorporate the policy ideals and framework intended to achieve new growth.

Below, we analyze Japan's growth potential from a variety of perspectives, of supply, demand and flow of funds, and describe the problems with which Japan is confronted and the government's basic philosophy as to how to resolve them. Furthermore, we make clear the basic policies for implementation of policies, mainly macroeconomic policy management, and set forth the macroeconomic targets that we will aim to achieve. We also explain judgment criteria for prioritizing policies essential for achieving the targets within the confine of limited resources. The government will implement the New Growth Strategy in an integrated, consistent manner in accordance with the basic policies, the economic targets and the judgment criteria for policy prioritization.

Our three challenges — achieving "a strong economy," regaining "robust public finances" and creating "a strong social security system" — are closely related to each other, and none of the three can be accomplished separately. Increasing tax revenue through economic growth is essential for restoring fiscal health. On the other hand, in order to achieve economic growth, it will be vital to ensure fiscal sustainability and implement a growth strategy based on priority-driven fiscal spending. Meanwhile, social security is not only the largest spending item of the public finances but also a key growth area. If a reliable social security system is established, it will enable the people to increase their consumption.

The greatest cause of Japan's economic mismanagement over the past 20 years was a lack of political leadership to continuously tackle those three challenges. We will implement the New Growth Strategy, together with the Fiscal Management Strategy and Medium-Term Fiscal Framework as well as the

reform of the social security system, in a consistent and integrated manner. We will also periodically review the economic conditions and changes in the prospects of the future and take appropriate actions based on the results of the review.

The Japanese Economy's Growth Potential and Basic Concept for Policy Actions

(1) Growth led by demand-side policy measures

(i) Past anemic growth and the top priority task

Over the past 10 years, Japan showed the poorest economic performance among the OECD countries, as it has registered an annual average growth rate of less than 1% in real terms and the average growth has been negative in nominal terms. If Japan fails to implement appropriate policy measures that meet the needs of the people and to develop an environment that enables companies to demonstrate their intrinsic strengths, the Japanese economic growth rate is likely to remain low.

With this recognition, as our most important task in economic and fiscal policy management, we must bring out inherent demand by resolving such problems as the legacy of regulatory and institutional constraints left by past successive governments and a lack of appropriate policies and efforts to secure financial resources necessary for policy implementation. In a variety of fields, such as medical, nursing and child care, there is demand that has yet to be satisfied although the people strongly feel the need in such fields. Moreover, there is overseas demand that Japan has not so far tapped. Our top priority task is to achieve Japan's intrinsic growth potential by bringing out such unsatisfied and untapped demand and creating jobs through the revision of rules and the implementation of demand-side policy measures.

(ii) Demand-side growth strategy

If necessary policies are not implemented at all in the period leading to fiscal 2020, Japan's annual economic growth rate is expected to remain at around 1% in real terms, little changed from the rate for the past 10 years. However, although we may face some difficulties, it is judged feasible to raise the growth rate by over 1% by implementing demand-side policy actions and achieve above 2% average annual growth in real terms, taking the

contribution of overseas demand into consideration.

In particular, the greatest sources of demand will be areas such as (a) social security and welfare (e.g., demand for medical, nursing and child care services suited to the declining birthrate and the aging population, consumption demand to be brought out as a result of the establishment of a reliable social security system and an improvement in the employment situation) and (b) environment (e.g., demand for renewable energy and products that contribute to the fight against global warming, development and utilization of forests). There is also huge potential demand for (c) safe foods and (d) eco-housing as well as earthquake-resistant and barrier-free housing. In order to stimulate demand in these areas, we will take such actions as revision of regulatory and institutional frameworks, budget allocation, tax reform and policy-based financing.

Moreover, there is significant potential demand from other countries for Japanese products and services, particularly environment-friendly, safe products and foods, transport and energy infrastructure systems as well as tourism and advanced medical care. Policy actions such as revision of regulations and provision of policy-based financing, coupled with the benefits of the growth of Asian economies, are expected to increase Japanese exports, and the contribution of exports to Japan's economic growth may exceed the average for the past 10 years (approx. 0.4%).

(Note) The demand-side growth strategy described above is closely related to "green innovation," "life innovation," "Asian economic strategy," and "strategies for promoting a tourism-oriented nation and local revitalization" among the seven growth areas to be explained later.

If monetary policy is implemented in an appropriate manner in addition to the implementation of the abovementioned policy actions, lifting Japan out of deflation and leading to stable price increase, it is considered possible that the economic growth rate in nominal terms, which directly affects the people's perception of living standards, may be raised to over 3%.

(2) Supply-side constraints

(i) Presence of an output gap and potential economic growth rate

The Japanese economy is saddled with a significant output gap (approx. 5%), and from the perspective of the economy as a whole, it is not a shortage of supply capacity that is constraining economic growth. The unemployment rate remains high at 5%. However, if the economy recovers steadily, supply-side constraints on economic growth are expected to grow in line with the resolution of the output gap. Although there is a surplus supply capacity from the macroeconomic perspective, there is a supply shortage in some specific fields, including medical, nursing and child care. Furthermore, as a result of the aging of the population, the supply of labor is set to decline, and Japan's potential growth rate, which represents growth in the country's supply capacity, may fall short of the average for the past 10 years (approx. 1%).

(ii) Supply-side growth strategy

It is possible to increase the supply capacity by taking appropriate policy actions. Particularly important is to create (a) a favorable employment environment for elderly people, women and youth and (b) a favorable environment for motivated people to start up venture companies, social enterprises and NPOs and establish operations in Japan. It is also important to (c) build up human capital and (d) promote innovation and accumulate intellectual assets. Anticipating that supply constraints will grow several years later, we will need to carry out regulatory and institutional reforms, mainly in growth industries which are already facing a supply shortage, and steadily implement measures such as: developing and retaining human resources equipped with necessary skills; promoting entrepreneurship; and facilitating smooth provision of risk money.

(Note) The supply-side growth strategy described above is closely related to the "strategy for making Japan a power in science and technology and information and communications technology," "the employment and human resources strategies," among the seven growth areas to be explained later.

Meanwhile, even if these actions promoted employment to a maximum possible extent, the number of employed people in fiscal 2020 is expected to

be lower than the current level. If economic growth over 2% in real terms is to be achieved, growth of more than 2% in labor productivity (as represented by GDP divided by the number of employed people) will be necessary. Given that the growth industries of the future include ones whose labor productivity is not necessarily high, it will be essential to raise labor productivity in all industries by carrying out regulatory and institutional reforms.

If the actions described above are taken, economic growth is unlikely to be considerably impeded by supply-side constraints. Labor productivity is expected to increase not only because the demand-side growth strategies will expand demand but also because the labor force that is not fully utilized will decrease in the economic recovery phase.

(3) Constraints in terms of flow of funds

(i) Tightening of the fund supply-demand balance and importance of securing confidence

In Japan, surpluses in the household and corporate sectors (fund surplus=excess savings) are currently offsetting a huge government deficit (fund deficit = excess investment) and leading to a surplus on a national basis (fund surplus=excess savings=current account surplus).

However, as a result of the aging of the population, the household savings rate has been declining in recent years. Moreover, although the corporate sector has continued to record surpluses in recent years because of such factors as the low level of investment due to the weak economic growth, it is likely to return to the usual state of deficit if the economic recovery continues. Therefore, some people have warned that if the government continues to register a significant deficit, it might become difficult for Japan to absorb the red ink entirely on its own, leading to a sharp rise in interest rates. Therefore, we will need to keep carefully watching long-term interest rate movements.

Fortunately, long-term interest rates as represented by the yields on government bonds have basically stayed at a low level until now. This is presumably because Japan is continuing efforts to restore fiscal health; because the portion of the deficit attributable to economic factors is expected

to shrink although the fiscal deficit expanded rapidly due to the recession that was triggered by the Lehman shock; because inflation is unlikely to occur; and because there is confidence in the Japanese economy's capacity for growth and the stability of the Japanese society.

As the shrinkage of the surplus (or getting into red) of the household and corporate sectors that is expected in the future will be a result of increases in consumption and capital investment, it will be desirable from the viewpoint of increasing demand. Therefore, in order to prevent such problems as a sharp rise in interest rates, it will be critical for the government to retain the confidence of domestic and foreign investors and the market by setting forth a firm policy for restoring fiscal health and doing its utmost to reduce the fiscal deficit as well as achieving economic growth and maintaining stable society.

(ii) Sound development of the financial and capital markets and the supply of risk money

In order to ensure smooth flow of funds, it is necessary to carry out regulatory and institutional reforms that will support the sound development of the financial and capital markets in light of international developments, in addition to taking the actions described above. We will also need to strengthen the framework for cross-border cooperation so as to enable flexible response to international financial crises.

Moreover, it is essential to secure the supply of funds that support the growth of the Japanese economy, particularly the supply of risk money, which is intended for high-risk investments and research and development, as well as the supply of funds for business start-ups, companies seeking to enter new markets, social enterprises and NPOs. In order to facilitate the smooth supply of risk money and funds for NPOs and other entities, we will carry out regulatory, institutional and tax system reforms. In addition, policy-based finance has an important role to play in this area.

Through the actions described above, we will do our utmost to prevent growth from being constrained in terms of flow of funds.

(Note) The sound development of the financial and capital markets and the supply of risk money described above are closely related to the “financial strategies,” among the seven growth areas to be explained later.

Basic policies for economic and fiscal policy management centering on macroeconomic policy management

In the New Growth Strategy, we divide the 11 years to fiscal 2020 into two periods (Phase I and Phase II), with the end of deflation as the dividing point, and set basic policies for each.

In Phase I , our challenge is to recover the Japanese economy from the recession that was triggered by the Lehman shock and then put it back on the path of full recovery and end deflation. This period is critical to the successful implementation of the New Growth Strategy as a whole. In Phase II, our challenge is to boost the Japanese economy’s growth potential through both supply- and demand-side policy measures while consolidating the achievements made in Phase I .

As the New Growth Strategy and the Fiscal Management Strategy complement each other, it will be vital to implement the two in an integrated manner. In both Phases I and II, we will steadily restore fiscal health in accordance with the Fiscal Management Strategy and, at the same time, take such actions as focusing budget funds on fields essential for growth and introducing tax measures. We expect the Bank of Japan to share, with the government, the basic perspectives on macroeconomic policy management described herein and make every possible policy effort.

<Basic Policies for Phase I>

Deflation has brought about significant economic problems, such as raising real interest rates and restraining the growth in demand. Regarding Phase I as a “period of overcoming deflation,” the government aims to recover the economy, make consumer prices changes positive by the end of fiscal 2011 as well as achieve stable price growth quickly and end deflation. With the ending of deflation as the top priority task in our macroeconomic policy management, we will make policy efforts mainly to revitalize the demand that has been restrained by deflation.

With regard to the mix of fiscal and monetary policies in this phase, the government will reduce wasteful expenditures through a review of government programs (*jigyō shiwake*) and other measures under the Medium-term Fiscal Framework and strive to resolve the output gap by focusing on the implementation of measures and programs that are highly effective in creating demand and jobs. Concerning monetary policies, we expect that the Bank of Japan will make every effort to end deflation. In light of the fact that Japan is the only country in the world to be trapped in deflation, appropriate measures must be taken, including both fiscal and monetary measures as well as regulatory and institutional reforms. Through these actions, we will prevent an excessive appreciation of the yen, thereby achieving economic growth supported by foreign as well as domestic demand.

In addition, in conducting fiscal management, a policy package of enhancing and improving the provision of social security and welfare services that are required by the people while asking the people to bear their share of the burden (taxes and social contributions) will not only establish a safe and secure society but also have an effect of expanding demand and employment (the balanced budget multiplier is positive). This will shrink the output gap and stimulate consumption demand by easing deflation and concern over employment, which is expected to lead to an increase in tax revenue. With this in mind, we will consider policy measures that will contribute to both economic growth and restoration of fiscal health as well as meet the needs of the people appropriately.

<Basic Policies for Phase II>

In Phase II, which comes after the end of deflation, we will maintain stable price increase and achieve steady economic growth so as not to slip back into deflation. Further fiscal measures will be taken in order to achieve the goal of restoring fiscal health set forth by the Fiscal Management Strategy.

Following the resolution of the output gap, we will implement policies that promote growth that is well-balanced between supply and demand. In particular, since raising labor productivity will be an important task in Phase II, we will further implement such measures as regulatory and institutional reforms.

Macroeconomic targets under the New Growth Strategy

Through the economic and fiscal policy management described above, we aim to achieve an average economic growth in excess of 3% in nominal terms and of 2% in real terms in the period leading to fiscal 2020. In particular, in Phase I, in which economic recovery is expected to continue, we will make efforts to raise the growth rate close to 3% in real terms. As for the price trend, we will end deflation and maintain appropriate and stable price increase of approximately 1% in terms of GDP deflator. Meanwhile, we will reduce the unemployment rate to the 3%-4% range as soon as possible. Given the weak economic growth we have seen in the past 10 years, we may face difficulty in achieving these targets. However, we will do our utmost to achieve them as the objectives of our policy efforts.

The people's sense of well-being and satisfaction do not depend only on economic factors such as income but also on their relationship with family and society. Based on the New Public Commons, it is important to secure "a place to belong" and a "role to play" for all the people and rebuild a society in which a variety of parties, including citizens, businesses and NPOs, participate in public activities. While doing its utmost to achieve macroeconomic targets, the government will support the activities of all strata of society so as to enable citizens, businesses, NPOs and other parties to provide services which is difficult to be provided by public sectors and suited to each of the various needs of the people in an efficient manner.

Judgment criteria for policy prioritization

In order to achieve the targets set forth by the New Growth Strategy, it is necessary to make the most effective use of the limited financial resources by prioritizing policies in budget formulation. We will evaluate policies and programs in light of the following criteria such as the effect of creating demand and job and make focused allocations of financial resources according to priority.

(i) Demand and job creation criteria

Based on the evaluation of the effect of policies and programs in creating demand and jobs, we will put top priority on those regarded as the most effective in doing so. In the process, we will give precedence to, for example,

the provision of in-kinds and services (including coupons for use of services), over cash benefits, so as to ensure that the people receive the services that they need, and we will attach importance to the expansion of employment.

We will also attach importance to policies and programs that are highly effective in bringing out overseas demand for Japanese products and services and increasing the international competitiveness of Japanese companies. At the same time, we will promote regulatory and institutional reforms suited to globalization and investments focused on hub airports and seaports.

(ii) “Selection and focus” criteria

By conducting a comprehensive review of the necessity of policies and programs from the standpoint of the people, we will promote such measures as; focusing on truly essential fields; prioritizing policies and programs in each field; and avoiding duplication of similar programs (including cross-ministerial programs) in terms of “selection and focus”.

In this process, we will pay attention to the following perspectives:

Citizen participation criteria

We will attach importance to opening public facilities, which have until now been used exclusively by government, to businesses, NPOs and other entities so as to encourage the people to vigorously participate in public activities. Therefore, we will review programs directly managed by the government and place priority on programs that allow the participation of businesses, NPOs and other entities; programs that utilize private finance initiatives; and programs that promote the reform of public services. In addition, in selecting what is truly essential, we will expand opportunity for the people to actively express their opinions.

Harmonization of institutional and policy measures criteria

We will place priority on policies and programs that are expected to generate synergy effects when implemented in coordination with institutional reforms. In particular, it will be very important to revise the rules that stifle potential demand (e.g., regulatory and institutional reforms and establishment of comprehensive special zones). In this respect, we will pay due care to

strengthen the system of ex-post checks that must be conducted in coordination with such revision and the system for ensuring safety, support people in socially weak positions and enhance the protection of personal information.

(iii) “Optimum option” criteria

We will choose optimum policy measures so as to produce maximum effects with limited financial resources. For example, it will be an effective policy measure to create various schemes that combine policy-based finance, public funds and private funds in order to support recovery in housing demand, which has been stifled by high real interest rates amid the deflation, exports of infrastructure systems and the participation in new businesses in various fields by private businesses, NPOs and other entities. We will consider revising the current systems and establishing new ones.

Meanwhile, the tax system plays an important role in promoting the further utilization of personal savings and encouraging business startups.

Moreover, for the purpose of maintaining, renewing and upgrading social capital effectively, we will implement institutional reforms so as to enable more aggressive utilization of schemes using private funds (e.g. PFI).

CHAPTER III BASIC POLICIES AND TARGETED OUTCOMES FOR SEVEN STRATEGIC AREAS

The Japanese people enjoy the longest life expectancy and best health in the world, and Japan is known as an environmental power, a nation of science, technology and IT, and a country with outstanding public safety. There are ample opportunities for growth combining these fundamental strengths with the nation's individual financial assets (¥1.4 quadrillion) and its housing, real estate, and other tangible assets (¥1 quadrillion), by positioning other parts of Asia and regions inside Japan as growth frontiers. Japan also has extremely high potential as a tourist destination, with abundant resources including natural beauty, cultural heritage, and regional diversity. Moreover, science, technology and IT as well as employment and human resources are platforms to support growth. A strategy founded on a long-term viewpoint is required for continuous growth.

Based on the above perspectives, Japan's "New Growth Strategy" clarifies the directions for the following strategic areas, centered on the principal measures and the targets to reach by 2020.

- Growth areas driven by Japan's strengths (environment and energy; health)
- Growth areas driven by pioneering new frontiers (Asia; tourism and local revitalization)
- Platforms to support growth (science, technology and IT; employment and human resources; financing)

Growth Driven by Japan's Strengths

(1) Strategy for becoming an environment and energy power through "green innovation"

[Targets to reach by 2020]

Create over ¥50 trillion in new environment-related markets and 1.4 million new environment sector jobs. Reduce worldwide greenhouse gas emissions by at least 1.3 billion tons of CO₂ equivalent (equivalent to the total emissions of Japan) using Japanese private-sector technology.

Putting Japan's world-leading technology to use

Japan overcame the pollution problem, a negative aspect of the high-growth era, and the two oil crises by using these challenges as opportunities for technological innovation, and the country acquired the world's highest-level environmental technologies.

Today, however, Japan is failing to capitalize on natural strengths in the environmental field under environmental policies that lack international competition strategies. This is symbolized by the fact that Japanese photovoltaic power generation, which was foremost in the world until a few years ago, is now lagging Spain and Germany.

Toward becoming the world's top environment and energy power through a comprehensive policy package

The climate change problem has already exceeded the range that can be addressed by individual element technologies. It is now essential to promote the creation of a low-carbon society through a comprehensive policy package including new systems design, systems changes, new regulations, and regulatory reform, and to support the rapid spread and expansion of environmental technologies and products.

Accordingly, we will spread and promote top-level environmental technologies in Japan by advancing "green innovation" (innovation in the environment and energy sectors) and with a comprehensive policy package. We will also aim at making Japan the foremost global environment and energy power.

Japan will play a leading role in a low-carbon society, having set a Japanese target of reducing greenhouse gas emissions by 25 percent by 2020 compared to the 1990 level; this target is premised on the creation of a fair and effective international framework that includes all major economies and an agreement on ambitious targets by each of them. Under an initiative to be known as "Challenge 25," Japan will mobilize all possible policy tools to advance this initiative together with the Japanese people.

Growth from green innovation and securing support resources

Japan will be transformed into a low-carbon economy and society through

measures to support the spread and expansion of renewable energies (solar, wind, small-scale hydroelectric, biomass, geothermal, etc.) by expanding the electric power feed-in tariff system, promoting low-carbon investment and financing, and expanding the use of information and communications technologies. We will also steadily pursue the use of nuclear power, while gaining the understanding and trust of the Japanese people, with safety as the top priority.

We will speed the development of innovative technologies including storage batteries, next-generation vehicles, improved thermal power plant efficiency, and information and communications systems with lower electric power consumption. Moreover, we will realize comprehensive greenhouse gas emissions reductions in the transportation and household sectors by promoting modal shifts, encouraging the use of energy-conserving consumer electronics, and the like.

We will achieve efficient electric power supply and demand through a Japanese-version smart grid linking electric power suppliers and electricity users via information systems, and spark new demand through related equipment in households, promoting this as a growth area. We will also support the acquisition of share in related growth markets overseas.

We will realize complete cyclical use of domestic resources by promoting recycling, promoting technological development of rare metals and rare earth elements that can replace existing energy resources, and advancing a comprehensive strategy to secure resources and energy.

Lifestyle reforms through improving the comfort and quality of life

We will promote zero-emission homes, offices, and other facilities through the spread of eco-housing, the expanded use of renewable energies, the spread and expansion of heat pumps, and the 100% adoption of light-emitting diodes (LEDs), organic electroluminescent displays, and other forms of next-generation lighting. This will also be directly linked to improving the comfort of living spaces and the quality of life, and it will constitute the start of a major voluntary shift toward low-carbon lifestyles.

An environmental concierge system providing advice to individual households will be established to promote the realization of zero emissions in the household sector.

Creating green cities by promoting the rebuilding and remodeling of superannuated buildings

To make Japan's urban areas into green cities with low greenhouse gas emissions, we will fundamentally revise the approach to urban planning, urban renewal, and urban redevelopment from an environmental and low-carbon perspective while clarifying the approach toward medium- to long-term environmental standards.

We will also devise the necessary deregulation and support measures to promote the redevelopment, rebuilding, and remodeling of superannuated office buildings and other structures that have problems relating to greenhouse gas emissions and safety.

Model to reform the socioeconomic structure from local areas

We will support initiatives to create an eco-friendly society. These will include promoting the use of public transportation and other measures to create low-carbon urban and regional structures, advancing renewable energies and constructing a smart grid to support them, realizing thorough and appropriate resource recycling, utilizing information and communications technologies, and turning homes and other buildings into zero-emission structures. To such ends, we will implement intensive investment project with the environment, health, and tourism as the main pillars, making use of a comprehensive policy package including regulatory reforms and green tax reforms. This will be the first step toward the transformation to a sustainable socioeconomic structure originating from self-supporting local regions.

Through the comprehensive implementation of these measures, we will aim by 2020 to create over ¥50 trillion in new environment-related markets and 1.4 million new environment sector jobs, and to reduce worldwide greenhouse gas emissions by at least 1.3 billion tons of CO₂ equivalent (equivalent to the total emissions of Japan) using Japanese private-sector technology.

(2) Health power strategy through “life innovation”

[Targets to reach by 2020]

Foster industry growth to meet the demand for medical, nursing care, and other health-related services and create jobs: roughly ¥50 trillion in new markets and 2.84 million new jobs.

Turning medical, nursing care, and other health-related industries into growth-driving industries

Japan became the nation with the longest life expectancy and the best health in the world by providing citizens with low-cost, high-quality medical services under a universal national health insurance system. The aging of society in Japan, which has progressed farther than anywhere else the world, poses an opportunity for developing new manufacturing industries and service growth industries by vigorously promoting “life innovation” (innovation in the medical and nursing care sectors).

Accordingly, while clearly positioning medical, nursing care, and other health-related industries, which are expected to realize high growth and create employment, as growth-driving industries for Japan, we will promote the market entry of private firms and other new service providers. We will also construct a system that can provide users with diverse services while securing safety and working to improve quality. We will advance the necessary changes to systems and rules while maintaining a structure whereby everyone is able to access required services.

Promoting research and development of innovative pharmaceuticals and medical and nursing care technologies from Japan

We will promote research and development of highly safe, superior, and innovative pharmaceuticals and medical and nursing care technologies from Japan. We will advance unified approaches among industry, government, and academia, foster drug development ventures, and promote research, development, and application in a number of fields. These include new drugs, regenerative medicine and other state-of-the-art medical technologies, remote medical treatment systems making full use of information and communications technologies, the use of manufacturing technologies to improve personal

mobility for the elderly, and medical and nursing care robots. As prerequisites, we will work to resolve the drug and device lag as an urgent issue, improve the clinical testing environment, and expedite drug approval decisions.

Boosting expansion to Asian and other overseas markets

The medical, nursing care, and other health-related industries are also projected to post high growth in other Asian nations as they become aging societies. We will promote overseas sales of pharmaceuticals, as well as medical diagnosis, treatment, and related services for wealthy Asians linked together with tourism. We will also work at collaboration with growing Asian markets (construction of joint clinical research and testing bases, etc.).

Promoting the availability of barrier-free housing

The number of elderly Japanese who will live alone or require nursing care is projected to increase, so promoting barrier-free housing is now a pressing need. This form of housing involves measures such as the installation of handrails and the elimination of indoor steps to ensure the safe movement of elderly persons inside their homes, prevent falling, and lessen the burden on caregivers. To these ends, while expanding support for the acquisition of housing with superior barrier-free functions and the promotion of barrier-free remodeling, we will place priority on encouraging the supply of barrier-free rental housing for the elderly by private sector enterprises.

Stronger foundations of medical and nursing care services to eliminate anxiety and for an enjoyable life

The sight of healthy, active elderly people is the sign of a sound society and a basis for economic growth. Our existing systems and supply infrastructure, however, have not adequately responded to the recent rapid aging of society and advances in medical technologies, the consequent heightened demand for diverse, high-quality services, or other changes in the health care environment. We will strengthen the foundations of medical and nursing care services to eliminate the anxiety of the elderly about the future, and induce a change from savings for uncertainty to expenditures for an enjoyable life.

Specifically, we will increase the number of doctors trained, secure hospital doctors and medical and nursing care practitioners by improving working

environments and compensation, and revise the division of roles between medical and nursing care practitioners. We will also divide functions among different medical institutions, centralize sophisticated specialized medicine, accelerate the increase of nursing care facilities and home-based care services, and establish a system for the stable provision of high quality medical and nursing care services.

Realizing a secure life for the elderly in local regions

Medicine and nursing care are essentially local service industries, and they support the economies and internal demand of local regions. Many elderly persons want to live their entire lives in the regions in which they are used to living. Working for the revival of local medicine, driven by local regions, will become an important issue for local communities. Specifically, through such efforts as advancing ties via the networking of medical, nursing care, and other health-related service providers and upgrading home-living support tools using information and communications technologies, we will create a society in which the elderly can receive the services they desire where they live.

Making it possible for the elderly to live healthy lives without concern will create demand for new services for senior citizens, such as lifelong learning and travel for education and knowledge. This will also lead to the employment of the elderly, the establishment of businesses by the elderly, and the handing down of skills and knowledge by the elderly to the next generation. We will prepare an environment that facilitates this type of virtuous cycle.

While advancing these measures, we will establish a social system that can accommodate a super-aged society by advancing reforms aimed at realizing a sustainable social security system. By 2020, we will foster industry growth to meet the demand for medical, nursing and health-related services and create jobs with the targets of roughly ¥50 trillion in new markets and 2.84 million new jobs. We will work to build a society in which the elderly can live out their lives while maintaining ties to their families and society. We will also transmit Japan's new social system to other parts of Asia and the world as a leading elderly society model.

Achieving Growth by Pioneering New Frontiers

(3) Asian economic strategy

[Targets to reach by 2020]

Create a Free Trade Area of the Asia-Pacific (FTAAP). Promote domestic reforms to double the flow of people, goods, and money and incorporate Asian growth. Double the income of Asia to expand growth opportunities.

Japan: Growing as a “bridge nation”

Making full use of Japan’s strengths in Asian markets

In recent years, other Asian countries have realized industrial integration with Japanese firms and achieved powerful and rapid growth supported by abundant and diligent labor. The nations of Asia have responded appropriately to the recent financial crisis, which began from the subprime loan problem, and are now exhibiting solid economic recovery as the force pulling the global economy. In particular, the outstanding growth of the middle class in Asia and the fact that Asian nations are growing while encountering limiting factors and issues that Japan has already faced and overcome, such as urbanization and environmental problems, constitute major business opportunities for Japan.

Japan as a “bridge nation to Asia”

To further solidify the present remarkable growth of Asia and to tie such growth to that of Japan, we must share the many lessons learned during Japan’s economic growth process. We must also become a “bridge nation” to the growth of Asia, consolidate our unique strengths in such fields as infrastructure and the environment, and comprehensively and strategically develop business in the Asian region.

Creation of a seamless Asian market

First, Japan must work to remove all barriers to economic activities in the Asian region, in which Japanese firms are active. To such ends, we will work to realize a seamless Asian market by more actively liberalizing and facilitating trade and investment while building a system for the protection of intellectual property rights. Japan will take advantage of its role as the host economy of the 2010 Asia-Pacific Economic Cooperation (APEC) meetings and utilize the APEC framework to prepare a roadmap toward the establishment of the Free Trade Area of the Asia-Pacific (FTAAP), with 2020 as a target year.

Extension of Japan's standards for "safety and security" in Asia

Japan's "safe and secure" approach can make large contributions toward the establishment of a stronger socioeconomic safety net in Asian nations, and can also serve as a foundation for economic growth. Japan can contribute to the realization of growth and the spread of the "safe and secure" approach in Asian countries while creating an easier environment for activities by Japanese firms. This can be achieved by working together with countries in Asia to jointly develop international standards using Japan's technologies, regulations, and mandatory and voluntary standards related to the environmental field and product safety issues. The results can then be proposed and transmitted to the international community. In particular, Japan will urgently advance strategic international standardization works in fields in which the nation enjoys technological superiority, such as smart grids, fuel cells, and electric cars. Japan will also actively contribute to the international standardization of food safety standards in partnership with Asian countries, considering the diversification and internationalization of food distribution.

Spreading Japan's "safety and security" technologies throughout Asia and the world

Building on the aforementioned efforts, we will develop and provide infrastructure that builds on the environmental technologies that are Japan's strengths as a package throughout the Asian region. We will work to lessen the environmental burden accompanying the economic growth of Asian countries and make use of Japanese technology and experiences as a sustainable growth engine for Asia. Specifically, government and the private sector will work together to provide assistance in building infrastructure such as high-speed rail and urban transport, water supply, and energy, and in the development of cities that are in harmony with the environment. At the same time, we will expand business opportunities for Japanese enterprises that have sophisticated civil engineering and construction technologies. Additionally, we will advance the mutual recognition of architect qualifications and support the development of the Japanese construction industry in Asia. The public and private sectors will cooperate in promoting the development of industrial human resources in developing countries, which will enhance business opportunities in these areas in Asia. Via these efforts, Japan will create a virtuous cycle of synergistic growth through export and investment. We will promote the export of "safe

and secure” Japanese products and work to strengthen infrastructure project contract, management, and administration expertise. These efforts will then be spread from Asia to the world.

Domestic reforms to unify with the Asian market and doubled flows of people, goods, and money between Japan and the world

Within Japan, it is also necessary to remove the impediments to the flow of people, goods, and money with Asian countries and the world to as great an extent as possible. With the goal of doubling the flows of people, goods, and money into Japan, Japan will actively advance intensive domestic reforms, for instance by boldly revising regulations that constitute impediments to such flows. Specifically, we will generate flows of goods and people, including foreign tourists and businesspersons, through such measures as making Haneda Airport into a 24-hour international hub facility, advancing the “open skies” agreement, and carrying out international container and bulk strategic port developments to accommodate post-Panamax ships. We will expand the acceptance of foreign exchange students, arrange domestic systems making it easy for foreigners to work in Japan as researchers and in positions requiring specialized expertise, further facilitate trade-related procedures, and make it easier for Japanese firms that have advanced overseas to repatriate their foreign profits. We will also work to strengthen Japan’s international competitiveness in finance, transportation, and other service fields and strive to facilitate flows in these areas. We will advance the training of Japanese personnel who are able to be active internationally, while promoting university, science and technology, culture, sports, and youth exchange and cooperation with Asian countries and around the world.

Expanding growth opportunities by doubling the income of Asia

Through these measures, as an Asian country, Japan will promote the vibrant development of Asia as a whole. While acting to unify with the Asian market by expanding trading activity therein and contributing to doubling the income of Asia, we will generate excellent growth opportunities for Japan. We will export Japanese content, design, fashion, cuisine, traditional culture, media arts, and other creative industries to an expanded Asian market, which will lead to boosting Japan’s brand power and diplomatic strength. In addition, we will cooperate with international efforts to prevent copyright violations.

We will also work together with other nations to address such global-scale issues as urbanization, global environmental problems, and global disparities.

(4) Strategies for promoting a tourism-oriented nation and local revitalization

Promoting a tourism-oriented nation

[Targets to reach by 2020]

Increase annual number of foreign visitors to Japan to 25 million by the beginning of 2020 and to 30 million in the future. Economic ripple effect of 25 million foreign visitors: approximately ¥10 trillion and 560,000 new jobs.

Tourism, a sure means of local revitalization at a time when the birthrate is declining and the population is aging

Japan has a wealth of resources for tourism, including natural beauty, cultural heritage, and regional diversity, and therefore has great potential as a tourist destination. People from Taiwan and elsewhere in the southern latitudes can travel to Hokkaido to enjoy the snow, while many Europeans are interested in Japanese culture, both traditional and contemporary, as well as the everyday culture exemplified by the morning scenes at Tsukiji Market. There are major differences among visitors to Japan from different countries in terms of the places they visit and the things they enjoy, and Japan's regional cities and towns offer resources for tourism that can accommodate such diversity. The entire country has a wealth of resources for eco-tourism, green tourism, industrial tourism, and other types of tourism. In fact, Japan has tourist attractions that appeal to Japanese people as well as foreign visitors. At a time when the prospects are dim for public spending to achieve local revitalization, regional cities and towns beset with declining and rapidly aging populations and falling birthrates can find surefire ways to invigorate the local economy and provide more opportunities for employment by increasing their nonresident foreign and Japanese populations through tourism and utilizing Japan's unique cultural assets, traditional arts, and other cultural heritage.

25 million foreign visitors per year by the beginning of 2020

Asia, which is experiencing rapid economic growth, and China in particular, have great potential for expanding the demand for tourism. Each year

approximately 1 million Chinese people visit Japan, while around 3.4 million Japanese people visit China (both figures are based on data for 2008); this is a major disparity. In light of the growth of Asia's population and the speed at which the region's economy is growing, the question of how to engage Asian tourists, including those from China, is a major challenge. By taking steps to attract more visitors from elsewhere in Asia and other foreign visitors to Japan, such as easing tourist visa requirements, creating appealing tourist attractions, improving the environment for foreign students studying in Japan, and undertaking publicity relations initiatives, Japan will increase the annual number of foreign visitors to 25 million by the beginning of 2020 and to 30 million in the future. It will also be necessary to make Japan more accessible in terms of transport routes and to cultivate safe and secure communities, since these elements are essential to a tourism-oriented country.

Staggering vacation times

Domestic travel is a ¥20 trillion market. There are intense fluctuations, however, due to the concentration of vacation times. Because demand is concentrated in specific periods—the Golden Week holidays at the beginning of May and the New Year holiday period—there is said to be a great deal of latent demand. For this reason, Japan will implement a comprehensive tourism policy that includes initiatives to activate domestic tourism demand through efforts such as studying “local holiday systems” and other ways of staggering vacation times and by developing attractive, internationally competitive tourist destinations. Japan will cultivate a tourism industry that will support local communities, creating new jobs and generating new demand.

Revitalizing rural cities and towns by utilizing regional resources; revitalizing big cities to serve as engines of growth

[Targets to reach by 2020]

Utilize regional resources to the greatest possible extent and increase regional power. Make strategic, priority investments in airports, ports, roads, and other infrastructure in major urban areas.

Changing the direction of regional policy

Over the past decade, as the population has become increasingly concentrated

in big cities, central cities in outlying areas have seen their commercial districts shuttered, and local economies have markedly declined. The deteriorating economic condition of regional cities and towns has exerted a negative influence on the nation's overall growth. The hollowing out of rural cities and towns has occurred because the nation's previous regional development strategy, lacking the perspectives of selection and focus, placed too much emphasis on public works projects and failed to foster regional individuality and autonomy. Each region has its own indigenous history, culture, and arts. The French city of Nantes, widely regarded as the best place to live in France, was once an industrial city but has successfully been reborn thanks to a historical legacy embracing culture and the arts. Similarly, there must be a shift in Japan's future regional development strategy toward measures devoted to cultivating regional creativity and cultural strengths, through the use of special zones and other such devices in collaborative efforts by nonprofit organizations and other groups embracing a "New Public Commons."

"Midori no Bunken Kaikaku" and other measures

Local governments, acting in cooperation with citizens, NPOs, and other parties, will create mechanisms to maximize the utilization of respective regional resources, focusing on decentralization, autonomy, and local consumption of locally produced goods. In this way, regional models showing paths to growth will be constructed, and "Midori no Bunken Kaikaku," or green decentralization reforms, will be enacted to create autonomous regional societies that will enhance local self-sufficiency and the capacity to generate wealth.

In addition, Japan will enact "regional sovereignty" reforms to create vibrant regional communities and ensure that regional affairs are decided by the inhabitants themselves.

Promoting the concept of Autonomous Settlement Regions and other measures

To help ensure that local development is appropriate to the locality, whether a city or a rural district, we will promote the concept of Autonomous Settlement Regions to protect the vital functions of each area and provide venues for settlement in rural areas. We will also faithfully support the autonomy and reinvigoration of remote islands, underpopulated areas, and other

disadvantaged areas.

If interregional transport costs for people and goods are decreased by abolishing highway tolls, this can be expected to produce such economic benefits as expanded areas of demand for regional products, reinvigoration of regional tourism industries, and business expansion into rural areas.

Revitalization of big cities

In the past big cities have served as the engines for national economic growth. Efforts to increase national competitiveness have been undertaken in Seoul, Singapore, Shanghai, Tianjin, and other cities in Asia. Unless Japan has a strategy for its urban areas incorporating broad-based, international perspectives, even Tokyo will experience a loss of vigor, and this, together with the aging of the population and the low birthrate, will inevitably have a negative impact on national growth.

It is therefore necessary to strategically proceed with priority investment in major-city airports, ports, roads, and other truly necessary, high-impact infrastructure that provides a foothold for growth, as well as to maintain hubs to enhance their attractiveness, and to strive to make our major cities hubs for interaction of people and exchanges of goods from all over Asia and the rest of the world. In light of Japan's severe fiscal situation, knowledge and funding from the private sector will be actively utilized to maintain these hubs, through the active use of systems of special zones, as well as private finance initiatives and public-private partnerships.

Strategically maintaining and managing social capital and other measures

Japan's highways were constructed mainly during the era of high economic growth. At present 8% of the country's bridges and 18% of its tunnels are at least 50 years old; in 20 years these figures will reportedly jump to 51% and 47%, respectively. Each year approximately 500 agricultural irrigation facilities will have to be updated. There is concern that Japan will no longer be able to renew its social capital in the future due to fiscal constraints affecting the nation and its regions. Given the fact that the social capital in which the nation invested heavily during the era of high economic growth will deteriorate rapidly in the future, strategic maintenance and management of social capital is needed,

including upkeep and repairs as well as renewal and new investment. Comprehensive risk management is needed to protect the public's safety and peace of mind. In light of the country's severe fiscal situation, private finance initiatives and public-private partnerships will be actively utilized in order to ensure that maintenance and management, as well as the provision of new facilities, are carried out effectively and efficiently.

Turning agriculture, forestry, and fisheries into growth industries

[Targets to reach by 2020]

Increase the food self-sufficiency rate to 50%; increase the timber self-sufficiency rate to over 50%. Increase agriculture, forestry, fisheries, and food product exports by a factor of 2.2, to ¥1 trillion (by 2017).

A host of challenges in agriculture, forestry, and fisheries

The agriculture, forestry, and fisheries sector faces many challenges as it looks to the future. These include protecting food safety; a decline in the food self-sufficiency rate; the aging of people involved in agriculture, forestry, and fisheries and the difficulty of finding successors; and low profitability. At present, however, Japan lacks a specific position and concrete policies concerning food, and both producers and consumers are worried.

Activating latent capacity for growth by utilizing regional resources and developing technology

To eliminate such concerns, Japan will provide an environment that can adequately activate the latent abilities of rural districts, in which willing practitioners of agriculture, forestry, and fishing can carry on their work free from worry, thanks to measures such as the introduction of income support direct payment for farm households. Japan will strive to revitalize the agriculture, forestry, and fisheries industries and increase the nation's food self-sufficiency rate to 50%.

In the future Japan will pursue technological development while also integrating the respective resources of various regions—so-called regional resources—which include natural resources, traditions, culture, and arts, and this will activate latent capacity for growth and awaken new demand. Japan

will also further encourage utilization of the abundant latent biomass resources that exist in rural districts.

In addition, Japan will create new industries and expose the latent demand proliferating downstream from the agriculture, forestry, and fisheries industries, by promoting so-called sixth-industry efforts (unification of production, processing, and distribution, and other such efforts) and partnerships among agricultural, commercial, and industrial interests, as well as revisions to vertical regulation schemes.

Revitalizing forests and forestry

In order to seriously and sustainably utilize artificial forest resources planted during the postwar era, Japan will promote a better understanding of the environmental benefits of using domestic timber. Japan will also work to revitalize forests and forestry, with the aim of increasing the timber self-sufficiency rate to over 50%, through efforts such as training specialists in forest management (foresters) and other personnel; expanding the use of domestic timber, including timber from forest-thinning operations; and utilizing woody biomass.

Expansion of exports through negotiations on quarantine inspections, opening of new sales routes, and other measures

To expand exports of Japanese agriculture, forestry, and fisheries products and food products, with particular attention paid to commodities and regions expected to generate high latent demand, Japan will focus on negotiations on quarantine inspections and on opening new sales routes, with the aim of increasing sales by a factor of 2.2, to the ¥1 trillion level.

Formulating a future vision concerning food from a broad range of perspectives

Food is among the most important themes-indeed, perhaps the foundation-underlying Japan's growth. Japan will establish a forum, incorporating the viewpoints of children, adults, and the elderly, with both producers and consumers represented and cross-sectional participation from industry, government, and academia, to consider measures to ensure safe, healthy, prosperous, and worry-free eating habits, as well as appropriate practices in rural districts to support such habits. In this way Japan will quickly

formulate a future vision concerning food.

A shift to housing policies that emphasize the housing inventory

[Targets to reach by 2020]

Double the size of the preexisting housing and remodeling markets. Reduce the percentage of insufficiently earthquake-resistant housing to 5%.

Invigorating investment in housing

Because investment in housing affects an array of housing-related industries and exerts a broad impact on consumption of furniture and other durable goods, among other areas, encouraging investment in housing is a crucial task in the effort to achieve economic growth led by domestic demand.

Japan will therefore work to stimulate money flows to expand investment in housing through such means as the utilization of the ¥1.4 quadrillion in financial assets held by individuals. Japan will also work to increase the supply of high-quality housing, including energy-efficient housing, through such measures as expanding home financing and the housing tax system.

Improving the environment for markets for preexisting housing, remodeling, and the like

Japan must change from a society that continually builds housing only to tear it down to one that creates high-quality housing, keeps it in good condition, and uses it carefully for long periods. From this standpoint, it is necessary to effectively utilize the nation's ¥1 quadrillion in housing, land, and other tangible assets. Japan will therefore create systems for the construction, appropriate maintenance and management, and eventual reuse of long-term, high-quality housing that can be used by multiple generations. Japan will also work to provide a market environment in which consumers can, without undue concern, have their homes suitably remodeled. Japan will work to expand the supply of housing for elderly citizens, whose numbers are rapidly increasing, coupled with lifestyle support, medical care, and welfare services, and work to ensure that the assets of elderly citizens are used effectively, by such means as promoting the expansion and use of reverse mortgages. In addition, Japan will make efforts to promote the provision of housing and other buildings

constructed with local materials and the like.

Through these measures, Japan will strive to double the size of markets for preexisting housing and remodeling and develop an inventory of high-quality housing by 2020.

Promoting renovations to make housing and other buildings earthquake-resistant

At present approximately 10.5 million homes, 21% of the 49.5 million homes that make up Japan's overall inventory of existing housing, are reported to be insufficiently resistant to earthquakes. There is said to be a 70% probability that an earthquake will occur directly below the Tokyo metropolitan area by 2036. In light of the damage caused by the 1995 Great Hanshin-Awaji Earthquake, in the current situation precious human lives are in danger from the total or partial destruction of homes and other structures.

Japan will therefore strive to develop a safe and secure housing inventory by making thorough efforts to ensure that homes and other structures are made earthquake-resistant, thereby reducing the proportion of insufficiently earthquake-resistant housing to 5% by 2020.

Platforms to Support Growth

(5) Science-and-technology and IT-oriented nation strategy

[Targets to reach by 2020]

Lead the world in "green innovation" and "life innovation." Increase the number of universities and research institutions that lead the world in respective fields. Ensure full employment for all those who have completed doctoral courses in science and technology. Encourage utilization of intellectual property possessed by small and medium-sized enterprises. Improve the convenience of daily life and lower production costs through the use of information and communications technology. Increase public- and private-sector investment in research and development to over 4% of GDP.

Japan, a nation brimming with know-how and human resources

Improving the capacity for growth by applying scientific and technological strengths

Progress in science and technology is what has helped human beings emerge in

the course of history. In the face of common challenges for humanity, such as combating global warming, coping with infectious diseases, and preventing natural disasters, it is also science and technology that point the way toward future prosperity for the world.

Japan has achieved high growth in the past thanks to its scientific and technological capabilities, which are among the best in the world, and the high level of education of its citizens. As Japan rose to become the world's second largest economy, however, expectations and esteem for science and technology waned, and the nation has neglected to rigorously cultivate the talent to achieve new heights in these areas and failed to reform its research institutions. Japan must generate innovations and "soft power" in a sustainable way by fostering superior human resources and making a unified effort to improve the environment for research and promote its commercial applications, in order to develop new technologies to provide fuel for growth and open up new frontiers in industry.

Improving the environment for research and conditions for fostering innovation and reinforcing systems to promote such efforts

Japan will therefore speed up reforms to universities and public research institutions and provide an environment for autonomous research and a diverse range of career paths in order to help motivate young people to pursue ambitious careers in science. Japan will also prepare an appealing environment that includes funding and support systems for research, as well as desirable living conditions, to attract superior researchers from around the world. Japan will promote basic research as well as the opening of new R&D frontiers in fields including those concerned with outer space and the oceans. Through such measures as making funding and support seamlessly available at every stage from research on new concepts to their commercial application and by rationally revising regulations to facilitate verification testing, Japan will reform systems and rules to allow innovation to flourish and ensure that intellectual property is appropriately protected and utilized. Japan will promote the creation of venture projects revolving around scientific and technological strengths and encourage efforts, through industry-academia partnerships and other arrangements, that result in local utilization of the fruits of research at universities and research institutions.

Because anticipatory investment in science and technology is extremely important for the entire nation, Japan will increase public- and private-sector investment in research and development to over 4% of GDP by 2020. In order to vigorously and efficiently promote innovation and advanced research and development unrivalled by other countries, Japan will conduct a thorough review of systems for implementing policies concerned with science and technology. Japan will also enhance “science and technology diplomacy” including the promotion of international joint research activities and scientific and technological cooperation with developing countries.

Through the collective implementation of such efforts, by 2020 Japan will engage in the world’s most advanced “green innovation” (innovation in the environmental and energy sectors) and “life innovation” (innovation in the medical and nursing care sectors), increase the number of universities and research institutions that lead the world in their respective fields, and strive to ensure full employment for all those who have completed doctoral courses in science and technology. Japan will also encourage the utilization of intellectual property possessed by small and medium-sized enterprises.

Japan, an IT-oriented nation

Information and communications technology as a foundation for innovation

Information and communications technology transcends time and distance to connect people, goods, money, and information. In the interest of future growth, there must be a conceptual shift away from concrete toward fiber optics. Incorporating information and communications technology into all aspects of economic activity and everyday life will thoroughly improve the efficiency of economic and social systems and provide a foundation for innovation.

Improving citizens’ daily lives and enhancing international competitiveness through the use of information and communications technology

In terms of the level of technology and provision of infrastructure, Japan has attained the world’s highest level in its information and communications technology, but utilization has lagged behind that in other developed nations, so the potential impact of this technology has yet to be realized.

While securing peace of mind for the nation's citizens by implementing measures to protect personal information and improve security, Japan will make every effort to encourage utilization of information and communications technology, such as through improved training to provide people with a command of this technology. This will make daily life more convenient for the public, triple productivity in fields concerned with information and communications technology, enhance international competitiveness by lowering production costs, and foster the development of new industries. To improve efficiency in the provision of government services, Japan will promote computerization of various types of administrative procedures and provide "one-stop" government services. Japan will also speed up investigations into the provision and use of various types of identification numbers by linking them to resident code numbers. Information and communications technology will be used to improve the quality of medical, education, and other services, such as by facilitating collaborative education, in which children teach and learn from each other. Japan will also promote further utilization of optical cable and other types of broadband services in order to provide greater convenience for all citizens. In addition, we will promote the utilization of information and communications technology in reducing emissions of greenhouse gases, making business activities more efficient, increasing overseas transactions, promoting employment for the disabled, and other areas. In keeping with these aims, Japan will revise systems and regulations to help promote the utilization of information and communications technology.

(6) Employment and human resources strategies

Japan, a nation where everyone has a role to play and a place to belong

[Targets to reach by 2020]

Increase the employment rate of people aged 20 to 64 to 80% and that of people aged 15 or older to 57%. Increase the employment rate of people aged 20 to 34 to 77%. Reduce the number of "freeters" to 1.24 million, while increasing the number of people who find jobs with the help of local young people support stations to 100,000 among those not in employment, education or training. Increase the employment rate of females aged 25 to 44 to 73%, the rate of females who continue to work before and after their first childbirth to 55%, and the rate of males who take childcare leave to 13%. Increase the employment rate

of people aged 60 to 64 to 63%. Increase the actual employment rate of people with disabilities to 1.8%, while the government increases procurement from facilities that employ people with disabilities to ¥800 million. Increase the number of job-card holders to 3 million, the rate of universities providing internships to 100%, the number of adults who study at universities to 90,000, the total number of adults accepted at vocational schools to 150,000, the percentage of workers engaging in self-education to 70% among regular workers and 50% among non-regular workers, and the employment rate of people who have received public vocational training to 80% among those trained at public vocational training facilities and 65% among those trained at commissioned facilities. Increase the rate of use of annual paid vacation time to 70%, while halving the rate of employees who work 60 hours or more per week. Raise the minimum wage to ¥800 in the lowest region and ¥1,000 as the national average. Reduce the number of industrial accidents by 30%, increase the rate of workplaces where mental health care is available to 100%, and eliminate passive smoking from workplaces.

These target figures were set based on the agreement reached among the government, labor, and management at the “Labor Strategy Talk” hosted by the prime minister, with the participation of labor and industrial leaders as well as experts in this area. As a prerequisite for these figures, the “New Growth Strategy” aims to “achieve an average annual economic growth of over 3% in nominal terms and 2% in real terms by fiscal 2020.”

Employment to provide support for increased domestic demand and the capacity for growth

Employment will provide crucial support for an economy oriented toward generating demand, especially domestic demand. The provision of employment that offers people a sense of security and a chance to utilize their talents will enable them to secure income and increase consumption. Unless employment is maintained, it will be impossible to expand individual consumption, currently at a standstill, and eliminate deficiencies in demand.

These employment and human resources strategies will enable Japan to surmount the restrictions imposed by its low birthrate and the aging of its society and will support Japan’s capacity for growth. There is concern that the shrinking workforce caused by the aging of the population will undermine

Japan's latent capacity for growth. It is therefore essential to enact measures to address the declining birthrate and bring about a recovery, but it will take at least 20 years for this to result in any expansion of the workforce. Accordingly, Japan must focus immediately on encouraging young people, women, the elderly, and other people with latent abilities to enter the job market. Japan must implement such employment and human resources strategies to cultivate abilities throughout society as a whole, through means including the development of occupational skills.

Citizen participation and support for a "New Public Commons"

Japan will become a society in which all citizens can enter the labor market and take part in a broad range of community activities in accordance with their individual desires and abilities (a society in which everyone has a role to play and a place to belong), and this will provide a foundation for increasing the capacity for growth.

For this purpose, Japan will utilize the full range of government policies to increase the employment rate in all strata of society and will thereby overcome the shrinking of its workforce. Policy goals will be established to increase employment among young people, women, the elderly, and the disabled. To this end, systems and practices that hinder employment will be rectified, and intensive efforts to improve the environment for employment, including the provision of childcare and other services, will be made over a two-year period.

We will support a "New Public Commons," under which not only the government but also citizens, NPOs, private businesses, and other parties will, with the spirit of mutual assistance, play an active role in providing services for our everyday life, such as education and childcare, community development, and nursing care and welfare services.

Providing a "trampoline-style" safety net to support the capacity for growth

In keeping with the Northern European perspective toward active labor-market policies, efforts to establish a society that offers livelihood security and regards unemployment not as a danger but as an opportunity to master new occupational skills and abilities, will support Japan's capacity for growth. Japan will therefore work to establish a "second-level safety net" (including systems

to assist job seekers) and improve the functions of its unemployment insurance system. In order to establish a system for developing and evaluating occupational skills throughout society, including non-regular employees, we will also redevelop the current job-card system as a Japanese national vocational qualification system (NVQ). (The national vocational qualification system was introduced over 20 years ago in Britain as a means of evaluating citizens' occupational skills. The system objectively reviews training and achievements and helps people find new jobs or advance their careers.)

Generating local employment and ensuring "decent work"

In order to ensure the availability of employment that can offer citizens new opportunities to participate and become active, Japan will work to quantitatively expand employment. We will therefore promote the creation of locally based employment, especially in growth sectors. From the standpoint of cultivating standard-bearers for the "New Public Commons," Japan will also promote the creation of local community employment, to be led by NPOs, social entrepreneurs, and other parties involved in "social enterprises."

The basis for economic growth fueled by domestic demand lies in improving employment stability and quality and eliminating people's insecurity about their livelihoods. Improving the quality of employment will make businesses more competitive and lead to growth, and the appropriate allocation of the fruits of such efforts will expand domestic demand and lead to the next wave of economic growth. Japan will promote balanced and equal treatment to ensure "decent work" (rewarding work befitting human beings), which means equal pay for equal work. Japan will also study the introduction of refundable tax credits, raise the minimum wage, and work to ensure a healthy work-life balance (by promoting the utilization of annual paid vacation time and encouraging shorter work hours, the utilization of childcare leave, and other such benefits).

Japan, a nation full of joyful children

[Targets to reach by 2020]

Stop the rapid population decline by achieving a sustainable increase in the birthrate through the establishment of an environment in which everyone can

have and raise children without experiencing undue concern. Quickly eliminate classroom waiting lists for preschool and school-aged children. Enable every person who seeks employment to resume work following the birth of a child and infant care. Consistently attain the world's top level of academic achievement.

Children as a source of growth

We derive happiness from the smiling faces of people around us, and this happiness gives us inspiration for our lives. The smiles on the faces of children spread to the rest of the family, and to the community and the workplace as well. For Japan to recover its vitality and resume growth, an abundance of smiling faces is a necessary condition. The entire society must take part in raising our children, who are the guardians of future growth.

Maintaining vitality amid the population decline and super-aging of society

Japan's birthrate has been decreasing since the latter half of the 1970s. Since the 1990s, when it became clear that the nation's birthrate was in a critical decline, a series of countermeasures have been discussed, but no drastic measures have been taken to address public spending and reform systems and regulations, so the decline has not been checked. Japan's overall population began to decrease in 2005. Based on the current birthrate, the nation is projected to have an estimated population of 95 million in 2050. To provide a high-quality workforce in the future and enable Japan to maintain vitality, a major shift in policy is needed right now.

For this purpose, Japan must support the development of all children by moving to implement a child allowance and making public high school tuition effectively free. Since families who are raising children have a strong propensity toward consumption, this sort of support will have a major impact on the effort to expand consumption and generate demand, and it will also contribute effectively to growth in child-related industries.

Creating conditions in which everyone can have and raise children without experiencing undue concern will entail not only ensuring continued employment for women but also providing dramatically increased opportunities for women to fully utilize their abilities, breathing fresh life into

the workforce. This will help bring about a sustainable increase in birthrates and eliminate medium- and long-term concern over the rapid population decline. Japan will also improve the social environment to ensure that children can lead their lives in safety and with peace of mind.

We will therefore promote the integration of kindergartens and nursery schools, enact drastic reforms to establish user-friendly childcare systems, encourage the involvement of a variety of businesses through revisions to relevant systems and regulations, and expand the hours and target-age range of clubs that offer after-school activities for children. Through these and other measures, we will work to diversify and quantitatively expand childcare. We will also eliminate classroom waiting lists for preschool and school-age children by 2020. By taking such steps as making the length and manner of childcare leave more flexible (shorter working hours for parents with small children, etc.) and offering preferential consideration to business that take the lead in providing childcare leave, Japan will provide enhanced support for resumption of employment and reemployment following the birth of a child and infant care. By 2017 at the latest, we will enable every willing citizen to return to work following the birth of a child and infant care.

Expanding the pool of talent through high-quality education

The most essential source of driving force for growth is that the opportunity for every citizen to receive a high-quality education and thereby create a deep pool of talent extending across a variety of fields. We will ensure that all children can receive the education they desire and develop the abilities to provide a foundation for life, and we will cultivate human resources to support Japan and the world in the future.

To raise the quality of elementary and secondary education, we will improve the quality of teachers and enhance systems that support education at the local level through the participation of private citizens and other measures. By making public high school tuition effectively free, we will enable all children to receive a complete secondary education, with the support of all of society, and we will seek to attain the world's top level of academic achievement in international testing.

In the area of higher education, Japan will expand its scholarship systems, work to ensure the quality of universities and make them more international in nature, expand and improve graduate education, and promote vocational education, such as by cultivating students' entrepreneurial abilities. In these and other ways, Japan will expand opportunities for and improve the quality of higher education, thereby cultivating people who can be active on the world stage and are ready to meet the challenges of the future.

In addition, Japan will actively invite students from overseas and work to ensure the development of private-sector educational services in appropriate ways in order to generate demand for education and make education an area of growth.

(7) Financial strategy

[Targets to reach by 2020]

Supply money for growth through the concerted efforts of the public and private sectors. Increase Japanese firms' global presence. Establish Japan's status as a main market and main player in Asia. Enhance management of national financial assets so as to enable citizens to enjoy wealth.

In a growth strategy, the financial sector is expected to: (i) back up and support real economy and enterprises; and (ii) lead economy as a growing industry itself. By 2020, Japan will make its financial sector fully capable of playing these roles, with the aim of creating win-win relationships between real economy and the financial sector.

To this end, we will create a financial industry which can supply funds for growth depending on the categories and characteristics of the respective targets of investment and financing as well as financial support, such as large enterprises, small- and medium-sized enterprises, individual business operators, Japanese enterprises operating overseas, domestic projects, and overseas projects. The aim is to achieve "financial system evolution," supporting innovation-oriented business management from a long-term perspective.

The financial sector itself needs to grow. To support this, we will proceed with

measures such as improving markets and exchanges and reforming legal infrastructure for financing, and create a financial industry which is reliable and highly convenient to users, thereby making Japan's financial markets and financial industry more internationally competitive.

Specifically, in order to create a financial market in Japan which can compare with the Euromarket, the nation will develop a bond market for professional investors, and make arrangements (e.g. expand the scope of disclosure in English) for encouraging foreign enterprises, etc. to procure capital in Japan. At the same time, the nation will carry out necessary reforms by the end of 2010, including reviewing the accounting standards and internal control report system, etc. applicable to small- and medium-sized enterprises and drastically simplifying the quarterly reports. In addition, we will urge private-sector financial institutions to make active efforts, so that national financial assets will be effectively invested into growth sectors and regions, while promoting the use of government-affiliated financial institutions and the Fiscal Investment and Loan Program (FILP) as well as development and use of fund schemes. Thus, the public and private sectors are required to make concerted efforts to achieve the targets.

In combination with these measures, we will set out to take concrete steps immediately in 2010 with a view to build a "new financial market-based nation," which will facilitate management of national financial assets and in which Japan will play a significant role as an Asian financial center in the growth process of the global economy driven by Asian and other emerging economies.

<21 NATIONAL STRATEGIC PROJECTS FOR REVIVAL OF JAPAN FOR THE 21ST CENTURY>

Selection of 21 National Strategic Projects

The “New Growth Strategy” provides for deregulation and lays out a design of a system for promoting government policy beyond the barriers between ministries and agencies. It includes the “financial sector” as a new platform to support growth and selects effective measures to be taken in the seven strategic areas. Among them, 21 measures which are expected to make greater contribution to economic growth are designated as National Strategic Projects. Regarding these projects as a breakthrough, we will strongly push forward attaining targets set for the respective areas.

The 21 National Strategic Projects have been selected from among areas which are expected to make great contribution to economic growth, indicated in Chapter II, in accordance with the criteria for deciding policy priority.

Growth Driven by Japan's Strengths

I. National Strategic Projects Related to "green innovation"

Positioning "green innovation" as the driving force for growth, we will carry out investment projects for the future under a comprehensive policy package including new system designs, regulatory reforms, green tax reforms, and profitability assessment, in an effort to spread top-level environmental technologies, products and services developed in Japan to the rest of the world. In this way, we will aim to make Japan the foremost global environment and energy power.

1. Rapidly Increase Renewable Energy by Introducing a Feed-in Tariff System

In order to expand the spread of renewable energies, the policy package consisting of the following measures will be introduced, centering on: broadening the scope of power to be purchased, from only solar power, to include wind power, small- and medium-scale hydroelectric power, geothermal power, and biomass power; and introducing the purchase of all renewables-derived electric power through a feed-in tariff system.

(i) Make the electric power system more advanced through measures such as introducing smart grids, formulating rules for grid management and expanding the volume of renewables-derived power connected to grids; (ii) implement zoning of locations for wind power and geothermal power farms and speed up construction of power plants, while opening a path for promoting the utilization of publicly-owned surface water to encourage the development of off-shore wind power through collaboration with fishery cooperatives and other stakeholders; (iii) strengthen a financing mechanism that contributes to fostering new global business ventures, providing risk money, and bringing benefits to local businesses and communities; and (iv) promote the use of heat from woody biomass and air heat as well as use of water heated by geothermal and solar thermal power.

Through these measures, we will expand the renewable energy-related market to the level of ¥10 trillion by 2020.

2. "Future City" Initiative

We will work to create a “FutureCity,” which will realize world-leading successful cases through future-oriented technologies, schemes and services and diffuse these achievements nationwide as well as overseas. Specifically, in line with the policy of creating “towns endowed with nature and human warmth” that are appealing both at home and abroad, and fully taking into consideration “profitability and ripple effect on other cities,” we will implement relevant measures intensively in strategic cities and regions carefully selected from among eco-model cities. Such measures include establishing a city energy management system which consists of a combination of smart grids, renewable energies, and next-generation vehicles, carrying out business restructuring and fostering related industries, and promoting the comprehensive use of renewable energies.

To put these measures into action, a new law will be enacted (tentatively called the Act on Future City Promotion). The relevant ministries and agencies will concentrate budget funds related to the next-generation social system and equipment subsidies, and provide thorough support for this initiative, including regulatory reforms as well as tax system reforms (e.g. green tax system). Furthermore, we will proceed with government-level partnerships with Asian countries for exporting the entire city design as a package.

3. Forest and Forestry Revitalization Plan

After building a system to support forest owners, we will promote business consolidation, planned development of transport road networks and introduction of forestry machinery in a comprehensive manner, thereby achieving merit of scale in forestry management.

As for the forest planning system, the government will try to draw up a plan that is easy to understand and use for on-site workers, while requiring forest owners to draw up their forest management plans (tentative name) and include therein business consolidation and road network improvement in order to obtain certification. In addition, new qualifications will be established, such as foresters, forestry business planners, and forestry engineers, together with a framework for fostering these professionals.

Furthermore, from the perspective of preventing disorderly logging and ensuring sustainable forest management, we will thoroughly review rules for logging and restoration of forests, including the setting of the upper limit of the area to be logged and the introduction of a framework for ensuring afforestation after logging.

Along with the above, we will drastically review forestry-related budgets from the perspective of “selection and focus” and introduce a new system of “direct subsidy payment for forest management and environment protection” (tentative name) so that those who make efforts will be rewarded.

Through these measures, we will establish a foundation for the Japanese forestry industry to be competitive against foreign products in the next decade and increase demand for timber, with the prospect of a timber self-sufficiency ratio over 50%.

II. National Strategic Projects Related to “life innovation”

In the area of life-science covering drugs, medical equipment, and regenerative medicine, etc., where dramatic growth is expected in the future, we will tackle projects placing emphasis on setting up a framework in which Japan can exert its technical strengths and creativity. We will spread Japan’s “safe” medical care technologies throughout the world.

<h3>4. Medical Institution Selection System to Promote Practical Application of New Medical Care</h3>

We will promote the practical application of new medical care to protect citizens, by arranging a consortium led by a specialized medical institution for each type of serious disease (e.g. cancer and dementia) and committing financial and human resources intensively to such consortium, while easing regulations on advanced medical care yet to be approved.

In addition, medical institutions that are selected from the perspective of protecting patients as well as knowledge on cutting-edge medical care, will be allowed to undergo simplified evaluation and confirmation procedures for

highly advanced medical technologies.

These measures are intended to enable patients to use global-standard drugs and medical equipment that are yet to be approved in Japan or use those approved outside the indication, covered partially by insurance and partially by their own expenses, and thereby providing patients suffering from difficult-to-cure diseases with more options for medical treatment, and resolving “drug lag” and “device lag” that currently affect them.

Such efforts to create new drugs and medical equipment and activate demand for regenerative medicine are expected to produce economic benefits worth about ¥700 billion per year by 2020.

5. Medical Interaction (Acceptance of Foreign Patients)

In response to the needs for medical care that are rapidly growing in Asia and the rest of the world, Japan will provide its advanced medical technologies for diagnosis and treatment of cancer, heart disease, etc. by means of cutting-edge equipment and chronic disease management at residential facilities, thereby promoting medical interaction and making its medical care further advanced. To this end, we will establish a “medical-care visa,” clarifying the handling of the visa requirements and the status of residence and taking flexible measures in terms of the number of trips, the period of stay and other aspects. We will also relax regulations on foreign doctors and nursing care workers for providing medical care services in Japan.

We will aim to facilitate the acceptance of foreign patients by establishing a system for certification of medical institutions that contribute to this aim and building a network of medical institutions. We will put in place arrangements necessary for facilitating acceptance, such as overseas promotion activities and development of medical language experts. Support will also be provided for the efforts to build partnerships with medical institutions, etc. in Asian countries and other countries in the world.

By promoting these measures, we will aim to establish Japan’s reputation and position as a leading provider of the highest level of medical diagnosis and

advanced medical care in Asia by 2020.

Growth areas driven by pioneering new frontiers

III. National Strategic Projects Related to Extension to Asia

The remarkable development of Asian countries in recent years provides Japan with big business opportunities. In order to take advantage of such opportunities, we will enhance Japan's technical strengths in providing "safety and security" as well as its diverse cultural strengths and spread them to Asia, while putting our efforts into developing human resources to support such characteristics of the nation.

6. Infrastructure-related System Export

In order to meet strong infrastructure demand from Asia and other regions, Japan will establish a framework for strenuously supporting private companies' initiatives in the field of infrastructure with "one-voice and in a united front" approach. Specifically, for the purpose of facilitating politics-led quick decision-making on matters of national importance, we will establish the Council for National Strategic Projects (tentative name), chaired by the Prime Minister (deputy chair: Minister for National Policy) and consisting of members from both public and private sectors. The Council will examine the ripple effects and impact on the Japanese economy arising from the projects to be intensively promoted as national projects, and make policy adjustments among the ministries and agencies as well as investigation and deliberation regarding the relevant matters, including how to compile a package of infrastructure-related systems. We will also enhance the function of diplomatic establishments as an overseas project base by taking measures such as appointing "specialized officers for infrastructure projects" (tentative name) at diplomatic establishments in selected countries. In addition, we will strengthen the functions and initiatives of relevant government agencies, including so as to maintain an appropriate financing function and to support the development of foundations for operating infrastructure projects. In particular, taking account of the review by the Council for Promotion of Export of Infrastructure-Related Systems,* we will expand the areas where the Japan Bank for International Cooperation (JBIC) can provide support for investment loans targeting developed countries through collaboration with the private sector. As for

overseas investment loans by the Japan International Cooperation Agency (JICA), in order to provide loans for highly-effective development projects which cannot be financed by existing financial institutions, we will fully study and evaluate the successful and failed cases in the past and establish a risk examination and management system, toward the resumption of this business. The functions of the JBIC will also be reviewed from the perspective of strengthening its mobility, expertise, and bargaining power. Furthermore, we will formulate and promote plans for overseas operations of public utility enterprises, e.g. local waterworks bureaus.

By putting in place these arrangements and systems and promoting exports of infrastructure-related systems through public-private collaboration, Japan will aim to expand the market to ¥19.7 trillion by 2020.

* The “Council for Promotion of Export of Infrastructure-related Systems” is a council led by the National Policy Unit, wherein the ministries and agencies concerned will review the initiatives carried out through public-private collaboration for promoting the export of infrastructure-related systems.

7. Reducing the Effective Corporate Tax Rate and Promotion of Japan as an Asian Industrial Center

For the purpose of strengthening the competitiveness of companies operating in Japan and encouraging more foreign companies to set up business bases in Japan, we will reduce the effective corporate tax rate to levels seen in other major countries. Along with this, we will drastically review all taxation measures including special measures, while taking into consideration the necessity to secure tax revenue sources through expansion of the tax base, and will reduce the tax rate gradually, based on the recognition that securing employment and improving the environment for companies’ selection of sites for business bases are urgent issues.

In addition, with the aim of enabling Japan to revive as an Asian industrial center, we will consider an incentive system containing taxation measures to invite foreign firms to set up their Asian head offices and R&D bases in Japan, which are linked with the degree of contribution to employment of

highly-skilled personnel. We will aim to put this system into operation from fiscal 2011.

Furthermore, we will draw up a “program for promoting Japan as Asian industrial center and direct investment into Japan” (tentative name) by the end of 2010. This program will contain system reforms and other measures to ensure smooth flows of people, goods and funds with the aim of making Japan’s business environment more appealing. Accordingly, we will further facilitate trade-related procedures, including the review of the “principle of delivery to bonded areas” applicable to export goods.

Through these measures, we will increase competitiveness of companies operating in Japan and bring about an increase in employment. In addition, by inviting foreign firms that bring high value-added products and services into Japan, we will double employment by foreign firms and also double direct inward investment.

8. Fostering Global Talents and Increasing Acceptance of Highly-Skilled Personnel, etc.

In order to turn Japanese educational institutions and companies into places for actively pursuing international exchange or developing personnel who will deal with globalization within Japan, we will support globalization of higher education, including foreign language education and collaborative education beyond the boundaries of foreign students and Japanese students. We will also carry out measures to expand the system of mutual recognition of credits with foreign universities, promote the strategic acceptance of foreign teaching staff and students, and support foreign students to get employed by Japanese companies. At the same time, we will enhance measures to help Japanese students and workers increase their experience abroad through study or training.

Furthermore, for the purpose of attracting talented foreign people into Japan, we will introduce the “point system,” which has already been introduced in European countries and the United States as well as some Asian countries, thereby providing preferential treatment in terms of immigration control for

foreign people who have excellent job careers and performance. We will also utilize the point system and otherwise revise the requirements for immigration control for people with expertise or special skills who are unable to meet the existing requirements for academic or job careers and obtain the status of residence for engaging in work in Japan. While taking into consideration the impact on the labor market, industry and national life in Japan, we will examine the system for acceptance of foreign personnel and draw a conclusion on this issue.

Through these measures, we will expand the pool of foreign talents and double the number of highly-skilled foreign personnel in Japan. We will also aim to dispatch 300,000 Japanese students and workers abroad and accept 300,000 foreign talented students into Japan for study and training.

Accordingly, the public and private sectors will cooperate in developing local human resources overseas.

9. Strategies for Intellectual Property and Standardization and Exporting Cool Japan
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We will strengthen initiatives that take advantage of Japan's strengths to achieve growth.

Specifically, we will draw up a roadmap for active acquisition and utilization of intellectual properties and for establishing Japanese standards as global ones in designated strategic areas, and will promote the utilization of the "Science, Technology and Innovation Strategy Headquarters" (tentative name) which is to be established (reorganization of the Council for Science and Technology Policy and review of the Intellectual Property Promotion Headquarters).

The potential of the "Cool Japan" movement, represented by Japanese fashion, content, designs, foods, tradition, culture, tourism, and music, has not yet led to growth. In the future, it will be a key to Japan's growth to make use of such soft-power and provide products and services incorporating the attractiveness of these materials.

To achieve this, we will take the following necessary measures: purchase of foreign TV programs, enhancement of digital distribution, easing and abolition of regulation on distribution of foreign content, prevention of piracy, and speeding up of the processing of program rights. In combination with these, we will also implement measures to support sales campaigns of Cool Japan-related industries and regional products carried out by a team led by the private sector as well as overseas business operations, strengthen human resource development, and ease requirements for stay in Japan in order to invite foreign personnel engaging in creative work.

Through these measures, we will strengthen the international competitiveness of Japanese companies in strategic areas, and generate annual contents-related revenue of ¥1 trillion in Asia.

10. Economic Partnership Strategy through the Free Trade Area of the Asia-Pacific (FTAAP)

We will consider how to pursue economic partnerships with Asian countries and other major countries and regions and draw up the “Basic Policy for Comprehensive Strategy for Economic Partnership” by autumn of 2010.

In accordance with this basic policy, while aiming to ensure coexistence with domestic industry, we will accelerate a high-quality economic partnership and promote domestic institutional reforms in an integrated manner by reviewing tariff and other trade measures as well as non-tariff measures (e.g. restrictions on investment and immigration).

In particular, as part of the efforts to establish an “East Asian Community,” taking advantage of its role as the host economy of the 2010 Asia-Pacific Economic Cooperation (APEC) meetings, Japan will exert strong leadership in questing for an ideal way toward establishing the Free Trade Area of the Asia-Pacific (FTAAP) which is to cover a wide range of the Asian-Pacific region.

Through the efforts to ensure the acceptance under EPAs of foreign candidates of qualified nurses and nursing care workers, we can increase the number of foreign people working at medical care or nursing care institutions in Japan. By

spreading Japanese medical and nursing care technologies and knowledge overseas, we expect that the medical and nursing care services will be improved, which will stimulate latent demand for these services.

By taking these measures, we will greatly help to double the volume of the flows of people, goods and funds in Asia, and will promote trade within this region, encourage foreign firms to set their business bases in Japan, and accumulate human resources in Japan.

IV. National Strategic Projects Related to Tourism and Local Revitalization

Against the backdrop of the decrease in public works expenditures, we should make it our main principle to “realize growth without depending on public finance.” Under this principle, we will try to break away from the previous policy of regional development that focused on redistribution of wealth, while daringly moving forward with relaxing and changing various regulations and rules which have acted as hindrances to growth, and introduce a new system that adopts the viewpoint of “selection and focus” and makes active use of “know-how and financial resources of the private sector,” thereby stimulating latent demand.

11. Introducing a “Comprehensive Special Zone System” and Promoting Full Open Skies, etc.

We will establish a "comprehensive global strategic special zone" system (tentative name) which will use to the fullest extent the perspectives of strategies carried out under local responsibility, the use of know-how and financial resources of the private sector, and “selection and focusing” of national measures. Specifically: (i) “Comprehensive global strategic special zones” (tentative name) will be established in specified areas such as big cities which have potential to drive growth of the nation as a whole and have a competitive advantage on a global scale. In order to promote the accumulation in these areas of industries and foreign firms which can be an engine of growth of the Japanese economy, we will implement special regulatory measures and tax, financial and fiscal support measures comprehensively in these areas. At the same time, we will consider giving corporate tax breaks. (ii) In “local revitalization special zones” (tentative name) to be established nationwide, we

will carry out packaged policy measures in line with the “New Public Commons,” including special regulatory measures and tax, financial and fiscal support measures that can make the maximum use of know-how and ideas of the local areas.

The establishment of these comprehensive special zone systems is expected to improve international competitiveness, etc. resulting from the formation of bases and also improve the capabilities of local areas making the maximum use of local resources.

In addition, with the aim of doubling the volume of flows of people, goods and funds from Asia and other places of the world into Japan, we will make Haneda a 24-hour airport and promote full open skies involving airports in the Tokyo metropolitan area. We will also advance “selection and focusing” of ports and harbors, so as to realize management thereof with the use of know-how and financial resources of the private sector.

12. “Program to Boost the Annual Foreign Visitor Number to 30 Million” and Promotion of Staggered Holidays
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On July 1, 2010, Japan will put into force measures to make it easy for Chinese visitors to Japan to obtain visas, such as easing the visa requirements and increasing access to diplomatic establishments to apply for visas. At the same time, by taking other measures such as carrying out effective promotion campaigns under the “selection and focus” principle, promoting tourism in collaboration with medical and other growth areas, and improving conditions for accepting Chinese tourists (e.g. authorizing paid tour guides in addition to tour-guide interpreters), we will aim to significantly increase the number of Chinese visitors to Japan, with the target of increasing the annual number of foreign visitors to Japan to 25 million by the beginning of 2020, and 30 million in the future.

In addition, for the purpose of leveling off the demand structure that depends on the peak demand and stimulating latent demand that has not yet become actual due to overcrowding or other reasons, we will promote “staggered vacation times,” that is, stagger long vacation times from region to region. To

achieve this, we will proceed with considering revision of the Act on National Holidays, and aim to start this new vacation system in fiscal 2012 at the earliest, after a sufficient period of publicity and preparation. We will further encourage working people to take annual paid leave.

Increasing the number of foreign visitors to Japan to 25 million by the beginning of 2020 will produce economic ripple effects worth ¥10 trillion and generate 560,000 new jobs, and promoting staggered vacation times will create demand worth about ¥1 trillion.

13. Doubling the Size of Existing Housing and Remodeling Markets, etc.

We will work to revitalize housing investment as a pillar of domestic demand. Specifically, in order to promote the shift from the conventional housing policy with emphasis on new construction to a new housing policy with emphasis on housing stock, we will draw up a total plan for developing the existing housing and remodeling markets, which covers building inspection and warranty, market environment improvements and regulatory reforms such as promotion of the use of housing records, and rebuilding of superannuated condominium buildings.

Furthermore, for the purpose of diffusing new high-quality housing, e.g. energy-efficient, earthquake-resistant or barrier-free housing as well as long-term high-quality housing, we will formulate new energy-efficiency standards with a view to realize net-zero energy homes, in addition to the eco-point system for housing, etc. We will also review the Building Standards Act and promote the use of reverse mortgage. By implementing these measures, we will aim to revitalize housing markets as a new growth industry and promote lifestyle reforms so that people can realize improved quality of life (e.g. living in a rural area for part of the year, while retaining a residence in an urban area).

Through these efforts, we will aim to double the size of the existing housing and remodeling markets to ¥20 trillion and also aim to make net-zero energy homes a standard for new housing.

14. Opening Public Facilities to the Private Sector and Promoting Projects Using Private Sector Funds

Amid the extremely severe fiscal constraints affecting both the nation and its regions, it is necessary for the private sector to undertake tasks, to the greatest possible extent, to develop necessary social capital and meet the demand for maintenance, management and renewal of existing facilities. To this end, we will introduce a concession system* under the PFI system and make exceptions to the existing law (generally called public property management law), thereby partially opening public property management to the private sector. Additionally, we will take measures to expand the PFI systems in 2011, including facilitating the dispatch of public officials to the private sector, developing systems for introducing funds from the private sector, and enhancing the support systems for local public entities.

Through these measures, we will expand the PFI market to at least about ¥10 trillion within the 11-year period by 2020 (double the cumulative total of PFI, about ¥4.7 trillion, generated during the preceding 11-year period from the time when the Act on Promotion of Private Finance Initiative came into effect until the end of 2009).

* Private Finance Initiative (PFI) is a scheme of granting business-related rights for public infrastructure (e.g. rights to business management and development) to private enterprises on a long-term basis, without transferring ownership of public facilities.

Platforms to Support Growth

V. National Strategic Projects Related to Science-and-Technology and IT-oriented Nation

Japan will continue to lead the world in the area of science, technology and IT where the nation can exert its biggest strength. Considering “creation of new knowledge” and “creation of innovation” as two wheels on the same axis, we will resolutely tackle system reforms and infrastructure development and promote the development of personnel specialized in science and technology, so as to broaden the fields in society where such personnel can be active and successful. In addition, for the purpose of drastically strengthening the regime for proceeding with policy in this area, we will reorganize the Council for

Science and Technology Policy into the “Science, Technology and Innovation Strategy Headquarters” (tentative name).

15. “Leading Graduate School” and Other Schemes to Enhance International Competitiveness and Foster Human Resources

Through creation of research bases and intensive investment, we will enhance Japan’s international competitiveness in research and development as well as human resources development. Specifically, we will establish “leading graduate schools” combining disciplines where Japan is strong, and within the international networks, foster personnel with a doctoral degree who will lead the world in growth areas. By developing the conditions for research such as cutting-edge research facilities and equipment and support systems, we will attract talented researchers at home and from overseas, and create research bases which will play a core role in the international brain cycling system as well as global-level intensive industry-academia-government cooperation bases (e.g. Tsukuba Nano-tech Innovation Arena). We will also proceed with considering a “national research and technology organization” (tentative name).

While promoting industry-academia-government cooperation toward enhancing science-course curricula at universities, colleges and graduate schools, we will take measures to develop an independent research environment for talented young researchers, such as restructuring the support system for young researchers, including the establishment of a “special incentive system for researchers” (tentative name), and diffusing the tenure track system* among universities, etc. In addition, through the efforts using R&D incorporated administrative agencies, we will develop R&D specialists and research management experts, etc. who will play a leading role in industry.

Through these measures, we will create more than 100 research bases in the world’s Top 50 lists in specified fields, thereby developing an innovation-creation environment, and realize complete employment of postdoctoral researchers and their utilization in society.

* The tenure track system is a framework wherein young researchers can accumulate

experience as independent researchers while working in the status of fixed-term employees, before undergoing strict examination and acquiring more stable jobs.

16. Promoting Utilization of Information and Communications Technology

In terms of the level of technology and provision of infrastructure, Japan has attained the world's highest level in its information and communications technology, but utilization has lagged behind that in other developed nations, which has been one of the causes that deteriorate Japan's international competitiveness. In particular, in order to improve productivity in today's service industry, it is essential to carry out operational process reforms through the use of information and communications technology. We therefore face a pressing need to promote cloud computing for the electronic government, realize electronic administration which provides citizens with administrative services in one stop, seven days a week, 24 hours a day, thereby reducing costs and labor to be borne by citizens and enterprises. It is also urgently necessary to improve productivity through the thorough use of such technology in highly specialized areas such as medical and nursing care and education. From this viewpoint, while making it a rule to assure protection of personal information, we will consider the introduction of the national ID system, in line with the discussions on social security and taxation ID systems. In addition, under the initiative of the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society (IT Strategic Headquarters), we will thoroughly sort out systems and regulations impeding the use of information and communications technology. Furthermore, with the goal of realizing the "Initiative of Optical Fiber Highways" (providing broadband services to all households by around 2015), we will define specific necessary measures quickly and submit bills as required.

17. Enhancing Research and Development Investment

We will aim to increase public- and private-sector research and development investment to over 4% of GDP by fiscal 2020. To achieve this, we will enhance government-involved research and development investment according to the Fourth Science and Technology Basic Plan, and will consider and implement various measures to promote research and development investment, such as

carrying out regulatory reforms and review of the support system for the purpose of promoting effective and efficient research and development, strengthening public-private partnership, and giving tax benefits to PFI.

In order to gain public understanding before implementing these measures, we will proceed with system reforms including a drastic reform of the science and technology-related budget drafting process. Specifically, under the initiative of the “Science, Technology and Innovation Strategy Headquarters” (tentative name), which will be the command center for science and technology policy, the Action Plan for Science and Technology Priority Measures will be implemented across the ministries and agencies, so as to strengthen “selection and focusing” of budgets and thoroughly eliminate redundancy and improve transparency in budgets. In addition, we will establish a science, technology and innovation system designed to increase basic research capabilities, overcome a valley of death in research, and realize open innovation.

VI. National Strategic Projects Related to Employment and Human Resources

Now, it is the time for Japan to restructure “human resources development” through the efforts of the entire society. In order to realize growth in the rapidly aging society with a declining birthrate, the Japanese society as a whole should provide all strata of society, from pre-school children to adults who have acquired various experiences in society, with the opportunities to improve their abilities and skills all through their lives.

18. Integration of Kindergartens and Nursery Schools, etc.

Guaranteeing high-quality early-childhood education and childcare for all children is indispensable as a starting point for human resources development. With this in mind, we will put all our energy into system reforms and environment development, including integration of kindergartens and nursery schools.

Specifically, we will take the following measures: draw up “Guidelines for Children” (tentative name) (by integrating kindergarten education guidelines and nursery school childcare guidelines); eliminate facility categories such as kindergartens and nursery schools (e.g. eliminate conditions falling short of

childcare services) and integrate these facilities into children's schools (tentative name), which will provide both early-childhood education and childcare; integrate the implementation divisions; introduce a designated service system; change the contract system to the user-assistance system wherein users enter into contract with the service providers that they choose; unify the pricing system for children's schools (tentative name). Through these measures, we will encourage various business entities to participate in this area, so as to provide a wide range of services depending on different circumstances surrounding children.

By implementing these measures, we expect that there will be no child in the classroom waiting lists by 2017, and a quality childcare environment will be available to all children, irrespective of their parents' working styles.

19. Introduction of "Career Grading" System and "Personal Support" System

The "practical career enhancement system" is designed to promote practical vocational training and qualification in order to foster and secure human resources that meet the needs of the time. Under this system, mainly in new growth areas such as nursing care, childcare, agriculture/forestry/fishery, environment/energy, and tourism, we will introduce and disseminate a "career grading" system, which is developed using the UK National Vocational Qualification (NVQ) system as a model as well as job cards and other existing tools (creation of a Japanese-version NVQ). In addition, as for training programs, emphasis will be placed on in-house OJT. The "credit accumulation system" will be applied to education of people who cannot make sufficient time to complete an entire course (e.g. young people, single mothers) and to recurrent education, and efforts will be made to compile effective and user-friendly educational programs through the collaboration of the practical career enhancement system and vocational colleges and universities, etc.

At the same time, with the aim of realizing "safety networks" so that unemployment will be regarded not as a danger but as an opportunity to master new occupational skills and abilities, we will introduce a "personal support" system for supporting people who face problems in everyday life due to long-term unemployment or other reasons, in a personal and continuous way

under multiple systems. We will also develop a “residential safety network” for helping people to find jobs and become independent.

20. New Public Commons

The goal of the “New Public Commons” is to create a society where everybody has his or her role to play and place to belong, and values the pleasure of helping others. In such a society, parties such as citizens, businesses and NPOs provide detailed services that can meet various public needs in an efficient manner. This will promote vigorous economic activities, and then the fruits of such activities will benefit the society and the public’s everyday life. The New Public Commons will realize such a new type of growth. By carrying out drastic system reforms and framework review, the government will open up the areas that have been dominated by the government sector to *the public*. To this end, based on proposals by the New Public Commons Roundtable and the Roundtable on Social Responsibility, we will implement and promote measures one by one toward establishing public service supported by the people. These measures will include designing a specific public interest tax system and reforming microfinance systems to support NPOs and the like. We will also promote research and study on new growth and well-being.

By opening up the areas that have been dominated by the government sector to *the public* and building a social framework of mutual support, we will raise the “New Public Commons” participation rate from 26% (2009 National Life Preference Survey) to about 50%.

VII. National Strategic Projects Related to the Financial Sector

The role of the financial sector in the growth strategy is to (a) support the real economy and businesses and (b) lead the economy by acting as a growth industry itself. By 2020, Japan will make its financial sector fully capable of playing these roles, with the aim of creating win-win relationships between real economy and the financial sector.

21. Establishment of an Integrated Exchange Handling Securities, Financing and Commodities

At present, different exchanges are established and operated to handle securities, financing, and commodities, respectively. In light of this, with the aim of building a “new financial market-based nation,” we will implement, as early as possible by fiscal 2013, systems and measures aimed at the establishment of an integrated exchange handling securities, financing and commodities in an integrated manner, without such boundaries of exchanges.

When building a framework of an integrated exchange, priority should be placed on convenience to investors and users, so as to revive and develop the exchange’s function as a market. By putting into operation specific measures to open up the country to the world and build a market that will attract funds from outside the country, we will aim to raise funds from Asia and build a new financial market-based country as a major financial center in Asia for making investment in Asia.

CHAPTER IV NEW GROWTH AND ENSURING POLICY REALIZATION

New Growth

The “New Growth Strategy” aims to achieve a “strong economy” through concerted efforts of the public and private sectors, setting the target of producing an average annual economic growth of over 3% in nominal terms and 2% in real terms leading to fiscal 2020. Achieving a strong economy requires the creation of stable demand both domestically and externally as well as the establishment of an economic structure enabling wealth to be widely circulated, while strengthening industrial competitiveness. The key to creating demand is to have a "problem-solving" national strategy. In other words, presenting prescriptions for important issues surrounding Japan, such as global warming and the falling birth-rate and aging population, will bring about changes to society and create new value, which will ultimately generate new jobs.

In the past, people have emphasized the burdensome aspects of the environment and social security in the context of global warming and the decreasing childbirth rate and aging society, and there has been a tendency to regard these areas as something that hinders economic growth. However, it is these areas that contain many aspects which can bring about growth by creating employment. Facing such challenges as global warming and the aging population with a low birthrate squarely, Japan will become a “model nation” which overcomes these challenges before other countries do so, and create a virtuous cycle of creation of demand and strengthening of supply capability. What we aim to build is a nation of *Sanpo-yoshi* [all right on three sides] where three fundamental factors, that is, economy, environment, and society, work to improve one another and thereby contribute to increasing the well-being of citizens.

Due to the growth strategy oriented to improving profitability on the supply side, which had been pushed forward under the name of “structural reforms” in the 2000s, the widening of gaps as typified by people generally called the “working poor” has become a serious social problem. We must carry out our new growth strategy to eliminate causes of the decline in people’s well-being, such as unemployment and poverty, which had been derived from such

economic policy.

Among others, a new social risk, “isolation,” has been rapidly intensifying in recent years. No one can go through life alone. When people suffer troubles, setbacks, and collapse, it is only through the support of those around them that they are able to get back on their feet again. In Japan, it used to be families, local communities and companies that performed this function. But these traditional sources of support are rapidly being lost, and social exclusion and disparities are increasing. Isolation is a problem that affects rapidly increasing numbers of people: young and old, men and women.

Under the “New Growth Strategy, “through achieving a “strong economy,” we will lower the unemployment rate to the 3%-4% range as soon as possible and reduce the risk of losing jobs. In addition, we will introduce a new “personal support” system for supporting “isolated” people who face problems in everyday life due to long-term unemployment or employment as non-regular workers and providing them with necessary assistance in a personal and continuous way under multiple systems. We will encourage the “New Concept of Public Service” which will help to increase the potential of such activities, that is, the efforts of local residents, instead of government agencies as before, to participate with the spirit of mutual support in such activities as education and child-rearing, community building, crime and disaster prevention, medical treatment and nursing care as well as consumer protection.

Having experienced the global economic crisis, countries across the world are going deep into a substantial study on how to realize more fair and sustainable capitalism and growth. The government of Japan will establish a next-generation social system which will directly lead to people’s well-being and enable economy, environment, and society to work to improve one another, and deepen and verify such system and spread it to the world. In this process, we will promote research and study on new growth and well-being in collaboration with foreign governments and international organizations, with a view to developing and upgrading statistics of related indicators. Through these efforts, we will establish a foundation for promoting measures to realize new growth, new environmental policy, and a new concept of public service in an integrated manner.

Ensuring Policy Realization under the “New Growth Strategy”

(1) Setting a timetable for the “Growth Strategy Implementation Plan”

In order to make reliable progress in the 21 National Strategic Projects and other measures in the seven strategic areas so that they will not fall through, we will indicate a schedule in the timetable for the Growth Strategy Implementation Plan attached hereto.

(2) Setting an order of priority in the budget formulation and tax reforms

When formulating budgets and carrying out tax reforms, we will strongly promote the measures to eradicate wasteful spending and take steady steps to put the “New Growth Strategy” into practice. While maintaining consistency with the “Fiscal Management Strategy,” we will set an order of priority for the respective projects and measures according to the degree of contribution to producing economic growth and creating employment, as described in Chapter II.

(3) Progress management in the execution of policy measures

With regard to the respective measures indicated in the Growth Strategy Implementation Plan, we will conduct thorough progress management based on the PDCA cycle, under the initiative of the National Policy Unit, by requesting the parties concerned to submit progress reports and take measures for improvement when necessary, from the perspective of ensuring effective and efficient execution of the policy measures.

Through these measures, we will improve predictability for the future and induce investment in the private sector.