

The Three Arrows of “Abenomics”

- Growth Strategy / the Third Arrow as a Key to Achieve the Revitalization of Japan -

To Begin with...

- Japan is seeking to get rid of deflation and, at the same time, to steadily reduce government debt, while we are faced with a unique challenge—a society aging at an unprecedented rate, with a consequent reduction in the nation’s work force.
- To overcome these challenges, Prime Minister Shinzo Abe has taken an initiative of a decisive economic strategy consisting of three pillars, dubbed “the three arrows”. These three arrows consist of **aggressive monetary policy**, **flexible fiscal policy** and **structural reform of the economy**.
- The first two arrows were launched in early 2013, resulting in a dramatic upturn in Japan’s economic performance. Parallel with this progress, the third arrow of structural reform is now key to securing lasting economic revitalization in Japan.
- On October 1, Prime Minister Abe announced his intention to raise consumption tax from the current 5% to 8% from April 1, 2014, with the additional revenue generated to be allocated to social welfare expenses. At the same time, to offset any negative impact that the tax increase may have on the economy, Prime Minister Abe also announced the government’s plan to introduce a series of economic measures totaling five trillion yen.

● **On July 26th , 2013 , Prime Minister Abe Stated in Singapore as follows:**

Since I achieved my comeback as Prime Minister at the end of last year, I have been promoting policies known as my “three arrows” to put the Japanese economy on a growth track once more. These “three arrows” are, specifically, monetary policy, fiscal policy, and a strategy for growth.

From now on, we will be engaged in firing off the "third arrow" in particular.

Implementing reforms will be the first and foremost political issue for us to tackle starting this autumn. We need to fortify the Japanese economy in substantial ways and increase real income. At the same time we must put public finances on a sustainable course.

“Openness” -- openness to other countries -- “challenges” - actively taking on challenges -- and “innovation” are the key concepts that will guide our reforms at all times. In order to break through the regulatory regime that has already petrified solid, much like bedrock, we need both a powerful drill and a sturdy drill bit. In a speech I delivered in London recently, I said that I myself intend to become that sturdy drill bit.

I will restate here the same point I made then.

We will advance regulatory reforms in the fields of electricity, agriculture, and medical services while promoting new services and new industries. From there, we will elicit the vitality of the Japanese economy.

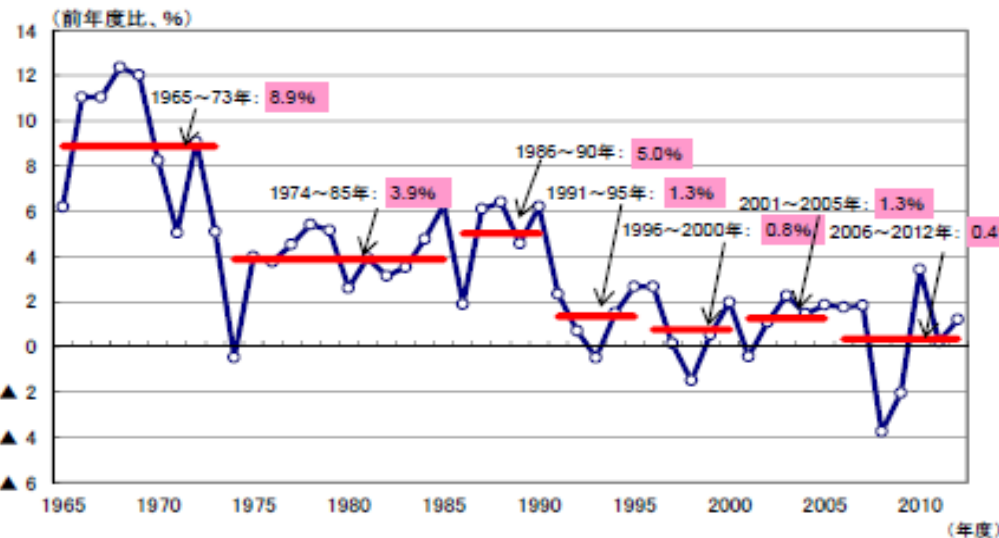
Economic peaks and valleys, changes in political systems, environmental degradation, and the aging of society -- these are all great challenges now poised to visit the countries of Asia, which Japan has been working to tackle for some time. These are never-ending issues pertaining to the building of democracy, or the rule of law or the legitimacy of the procedures forming the basis for that democracy. But Japan continues to work to tackle these challenges.

1. Three Arrows of “Abenomics”

Challenges Which Abenomics is Facing

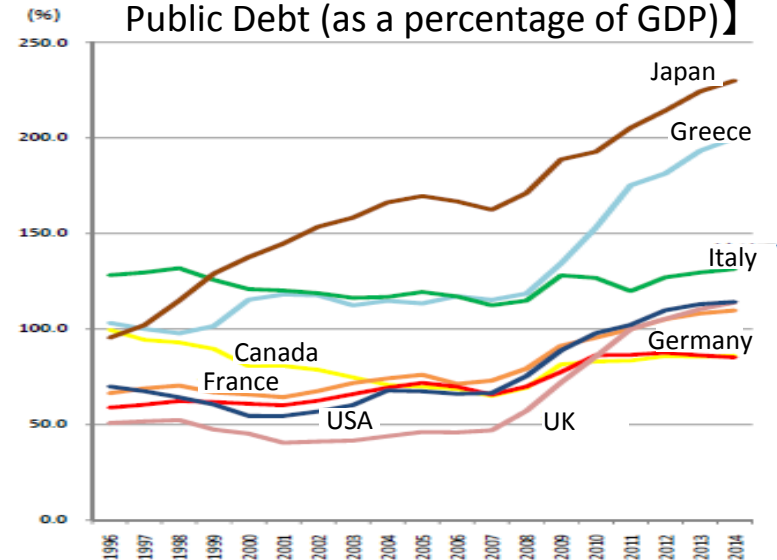
- The past 15 years of deflation have not only caused Japan's economy to stagnate, but also—more fundamentally— have made people lose hope in the future. People feel discouraged to invest, to take on new projects or to engage in new activities. In a vicious circle, this mood has worsened the recessionary trend and has deprived young people of opportunities.
- Japan is becoming a rapidly-aging society, where people lack confidence.
- Due to its long-lasting economic stagnation and large national debt, Japan must find a way to achieve sustainable economic growth and improve its fiscal situation.
- Sustainability is key. Japan must manage its national debt while maintaining its social security system, which is under growing pressure due to the aging population. Robust economic growth is therefore essential to resolve this dilemma.

【Transition of Real GDP Growth Rate in Japan】



Source: Fiscal System Council

【International Comparison of Accumulated Public Debt (as a percentage of GDP)】



Source: OECD "Economic Outlook 92"

*total of Central government debt, Local government debt and Social security funds.

The First and Second Arrows: Hitting Their Targets

- After taking office, Abe administration immediately started its economic policy “Abenomics,” which consists of “three arrows”: 1) an aggressive monetary policy, 2) a flexible fiscal policy and 3) a growth strategy that stimulates private investment.
- “Abenomics” started from changing people’s negative mindset which had been fixed in the long-standing deflation and economic stagnation, by implementing the first and the second arrows.

The First Arrow: Aggressive Monetary Policy

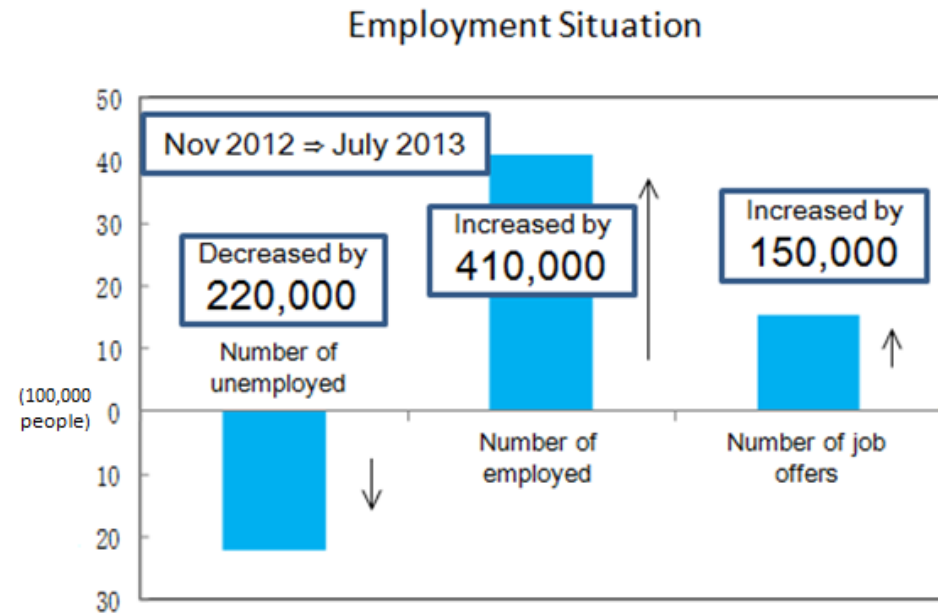
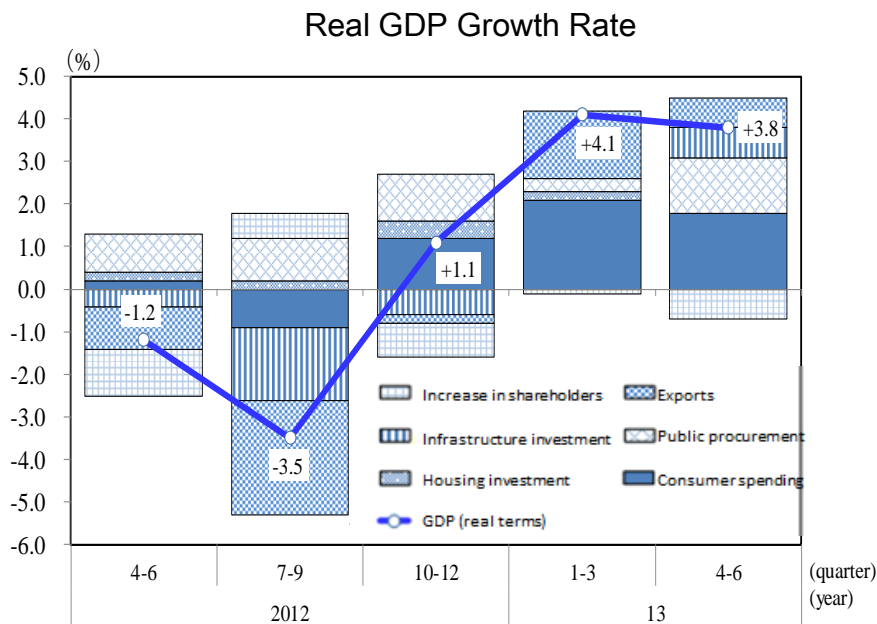
- In January 2013, the government and the Bank of Japan (BOJ) released a joint statement introducing a “price stability target” aimed at achieving 2% inflation.
- In April, the BOJ introduced Quantitative and Qualitative Monetary Easing (QQME), which included:
 - Doubling the monetary base in two years, from 138 trillion yen (2012) to 270 trillion yen (2014)
 - Doubling the average lifespan of long-term government bonds, which are held by BOJ

The Second Arrow: Flexible Fiscal Policy

- In January 2013, the government formulated an economic stimulus package, with an additional budget of 10 trillion yen.
- The major areas of expenditure under this package are:
 - 3.8 trillion yen to reconstruction in Tohoku and further disaster prevention measures
 - 3.1 trillion yen to growth measures such as promotion of private investment and innovation

Achievements of the First and the Second Arrows and Release of the Third Arrow

A range of economic indicators, including real GDP growth, consumption and employment, show significant improvements, demonstrating that the first and the second arrows have hit their targets.



However, the first two arrows alone cannot bring about sustained growth. The third arrow - structural reform - is necessary to truly revitalize Japan's economy.

Basic Principles of the “Japan Revitalization Strategy” (1)

- Fully unleash the power of the private sector by stimulating private investment and refocusing human resources.
 - ✓ Substantial regulatory and institutional reforms
 - ✓ Bold tax incentives for capital investment
 - ✓ Promotion of increased workforce participation by women

Major Attainment Targets

- ❑ Increase capital investment to pre-Global Financial Crisis levels (70 trillion/year) over the next 3 years (Fiscal year 2012: 63 trillion/year)
- ❑ Enhance the business start-up rate to exceed the closure rate, and raise the start-up/closure ratio from the current 5% to the 10% range, which would be on par with the U.S. and U.K.
- ❑ Increase the employment rate for women aged 25-44 to 73% by 2020 (currently 68%)
- ❑ Reduce the number of those who have been unemployed for more than six months by 20%, and raise the percentage of employees to have changed their jobs within the past one year period to 9% of the total number of full-time workers over the next five years. (2011: 7.4%)
- ❑ Double the number of Japanese students who study abroad by 2020 (60,000 → 120,000)

Basic Principles of the “Japan Revitalization Strategy” (2)

- **Promote further integration with the global economy by encouraging overseas expansion of Japanese enterprises and inbound direct investment by foreign enterprises.**
 - ✓ Promote economic partnerships such as TPP and Japan-EU EPA
 - ✓ Create the world’s most business-friendly environment through drastic regulatory reforms in the “National Strategic Special Zones”
 - ✓ Promote inbound direct investment

Major Attainment Targets

- ❑ Increase Japan’s percentage of trade with (present and future) FTA partner countries to 70% by 2018 (currently 19%).
- ❑ Double direct investment in Japan by foreign companies to 35 trillion yen by 2020.
- ❑ Increase the number of foreign visitors to Japan to 10 million in 2013 (currently on course to be achieved) and over 30 million in 2030.

Basic Principles of the “Japan Revitalization Strategy” (3)

- **Create new markets while tackling shared global challenges.**
 - ✓ Accelerate authorization of the latest medical devices
 - ✓ Establish a new institution to comprehensively manage state-of-the-art R&D

Major Attainment Targets

- ❑ Expand markets for health promotion, preventive care and life support related industries from the current 4 trillion to 10 trillion by 2020.
 - ❑ Expand the market for medical-related industries such as pharmaceuticals, medical devices and regenerative medicine from the current 12 trillion to 16 trillion by 2020.
 - ❑ Expand the size of PPP/PFI projects to 12 trillion over the next 10 years (1999-2012= 4.1 trillion yen)
 - ❑ Expand the market for the “sixth industry” dimension of agriculture from the current 1 trillion yen to 10 trillion yen by 2020.
- * *The “sixth industry” refers to agricultural businesses that pursue activities relating to secondary and tertiary industries (e.g. food processing, green tourism, etc.) as well as the primary industry of farming.*

2. Examples of Individual Measures in Japan Revitalization Strategy

Accelerate Structural Reforms in the Private Sector

- Create an environment conducive to business restructuring and new business creation, to increase productivity and corporate profits
- Support companies that actively restructure their businesses or expand into new business areas through tax incentives and other measures

Enhance corporate governance

- Amend the Companies Act and promote the appointment of external directors.
- Introduce a “code of conduct” for institutional investors.
- Introduce a new stock index focused on profitability.

Review management of public and quasi-public funds

- These funds manage more than 100 trillion yen. The review should address issues such as risk management structures, measures to increase returns on long-term investments, etc.

Stimulate private investment

- Promote the replacement of aged and inefficient facilities through tax incentives and other measures.

Promote business restructuring and reorganization

- Support companies that restructure their businesses to enhance profitability through tax incentives and other measures.

Promote investment in business ventures

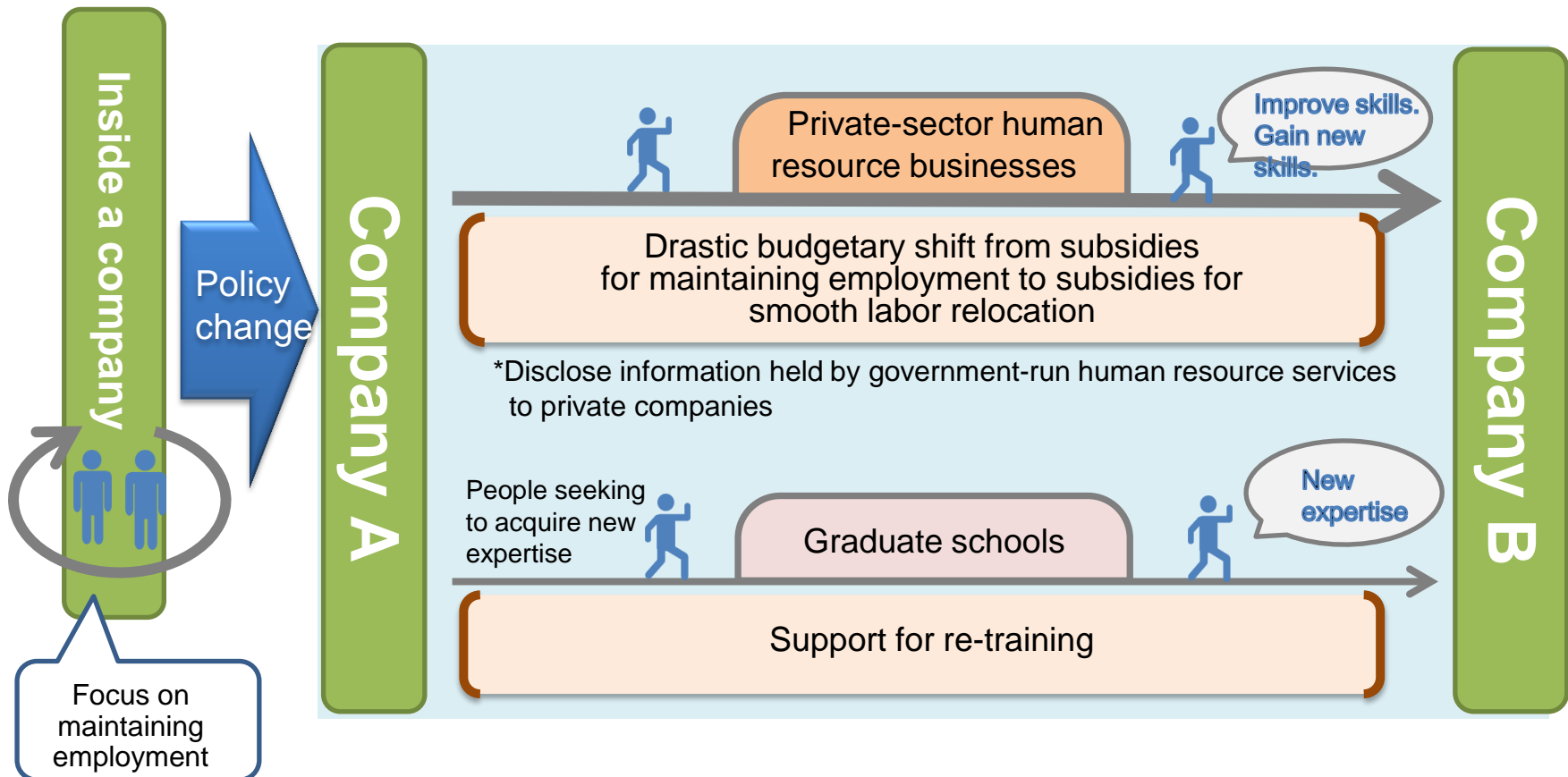
- Promote grass-root fund-raising methods, such as crowd-funding.

Create an environment that supports businesses that take on challenges

- Introduce a scheme to grant regulatory exemptions for companies which utilize new technologies and can create new business opportunities.

Labor Market Reform

- Drastically shift the policy focus from encouraging the maintenance of employment within single companies, to stimulating mobility in the labor market.
- Use private-sector human resource businesses and enhance job matching services.
- Continue efforts to establish a “society that supports flexible and diverse working styles,” including promoting model cases of “diversified full-time employment.”



Unleash the Power of Women

- Establish a social infrastructure that supports active participation by women
- Support companies that actively promote participation by women. The government will lead the way by actively employing and promoting women
- Target: raise the employment rate for women aged 25–44 from 68% in 2012 to 73% by 2020

Enhancing childcare infrastructure (zero childcare waiting-list project)

- Increase capacity of childcare facilities and services to cover an additional 400,000 children by the end of fiscal 2017
- At present: 24,000 childcare facilities, 2 million children registered, 25, 000 children on waiting lists (government-approved childcare facilities only)
- Implement support package consisting of five pillars:
 - Increasing the number of childcare facilities by using lease-contract and government-owned land
 - Securing adequate human resources for nursery teachers
 - Creating new forms of service, such as small-scale childcare services
 - Supporting non-registered childcare facilities seeking to become government-approved
 - Supporting childcare services provided by employers inside office buildings

Supporting corporate efforts

- Provide incentives, including tax breaks, for companies promoting active participation of women
- Promote information disclosure about the status of women in each company; establish an award for companies that most successfully promote women (In April, Prime Minister himself called for corporate executives to promote women)

Government leadership

- The government will lead the way by actively employing and promoting women
- In 2013, multiple female public officials have been assigned to top-ranking positions

Attract Human Resources from Overseas

- Review the points-based preferential immigration system for foreign professionals and increase the number of people accepted through this system (about 430 since the program was introduced in 2012).
- As a part of the university reform, increase the number of foreign researchers with the aim of offering some 1,500 full-time positions for overseas researchers over the next 3 years.

Review of the immigration process for highly-skilled foreign professionals

Overview

- Introduced in May 2012 to attract skilled professionals who can contribute to Japan's economic growth, and to create new job opportunities within Japan.
- Assesses individuals based on criteria such as educational background, career history and annual income. Provides preferential immigration treatment based on the total number of points.



Objectives for review

- Relax annual income criteria (e.g. reviewing the definition of annual income to include rewards from overseas institutions, etc.)
- Reduce the time that foreign nationals are required to reside in Japan before being eligible for permanent resident status (from 5 years to 3 years)
- Consider preferential treatment for family members who accompany foreign professionals

Use of ICT in Healthcare and Medical Services

- Promote use of information communication technology (ICT) in medical care, day care and preventive care to enhance healthcare system performance.
- Introduce a social security and tax number system (“My Number”) from 2016 to raise efficiency of administrative services.
- Government CIO will accelerate the introduction of online administrative services. For example, stimulating new businesses by enabling private sector to access public data such as geospatial and statistics information.

Example: “Data-Health Plan” using ICT to manage health insurance claim information

Number of health insurance claims: Approx. 6 billion
(April 2009 – February 2013)

Number of health checkup and health guidance data
entries: Approx. 90 million (2008 – 2011)

National database

Use of government-owned health insurance claim information, etc. by private businesses will also be examined.

Insurers
Analyze health insurance claims and health checkup data

Claim details

Examination and payment

Patients
Receive medical and healthcare services

Medical institutions, etc.

Require all health insurers to analyze health insurance claims and formulate, disclose and implement “Data-Health Plan”

Case study: Kure, Hiroshima Prefecture (population: 240,000)

- Used ICT to analyze health insurance claims to identify insured persons who had needlessly used medical services and provide instruction for appropriate use
→ The process saved some insured persons over 100,000 yen in medical costs.
- Notification service promoting generic drug use
→ This service saved about 100 million yen in medical costs in fiscal 2008.

Harness PPP and PFI projects

- Drastically open-up infrastructure development and operation, which has been dominated by the public sector, to private companies. This will raise the efficiency of infrastructure management while creating huge business opportunities for private companies.
- Enable public facilities to be run by private entities through public-private partnerships (PPP) and private finance initiatives (PFI).
- Increase the market size of PPP/PFI projects to 12 trillion yen over the next decade, from 4 trillion yen in the past decade.

Expand opportunities for private companies to manage public facilities (e.g. Kansai international airport/Osaka international airport, Sendai airport).

Current system:



Government owned and operated

Landing fees, etc. set by the government in the form of uniform, nationwide rates

Operation of runways and buildings, etc. managed by separate bodies.

Proposed system:



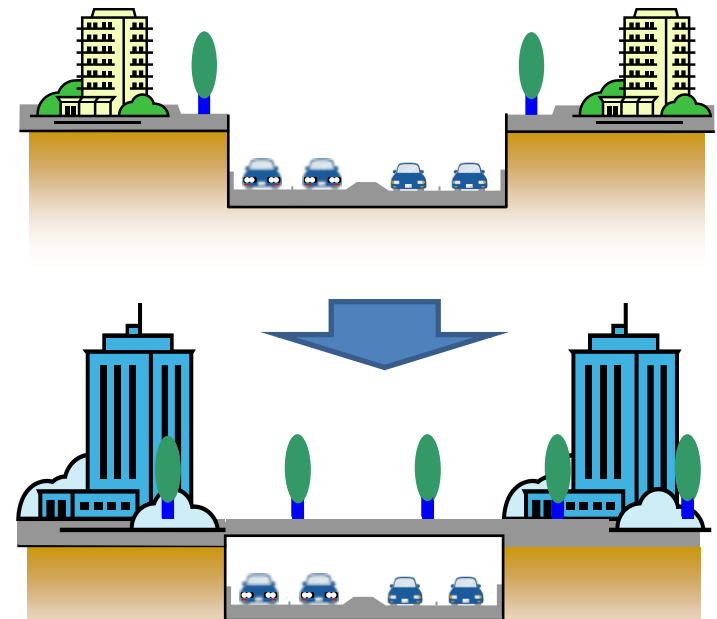
Use funding and business know-how of the private sector

Operation adapted to the needs and characteristics of each region

Integrated operation of runways, buildings, parking spaces, etc.

Actively use PPPs for a variety of projects, such as using the space above expressways to regenerate cities and aging expressways.

Using space above expressways (Example: possible uses for the Metropolitan Expressway)



Reform of the Electric Power Industry

- This is the first drastic reform of Japan's electricity supply and delivery system in 60 years, to be carried out by 2020 at the latest. The key aims are to:
 - ① Enhance efficiency of power supply nationwide
 - ② Liberalize the market and give consumers and companies freedom to choose supplier
 - ③ Separate generation and transmission
- Revitalize the power industry and market by encouraging integration and cooperation between industries . Enable market entry of diverse players.

Step 1: Enhance efficiency of operation nationwide (implemented around 2015)

- Facilitate shared power distribution among service areas to better manage supply shortages (bill to be submitted to the Diet during autumn 2013)

Step 2: Complete choice for consumers and companies (implemented around 2016)

- Enable companies and households to freely choose service providers and price menus (bill to be submitted in 2014)

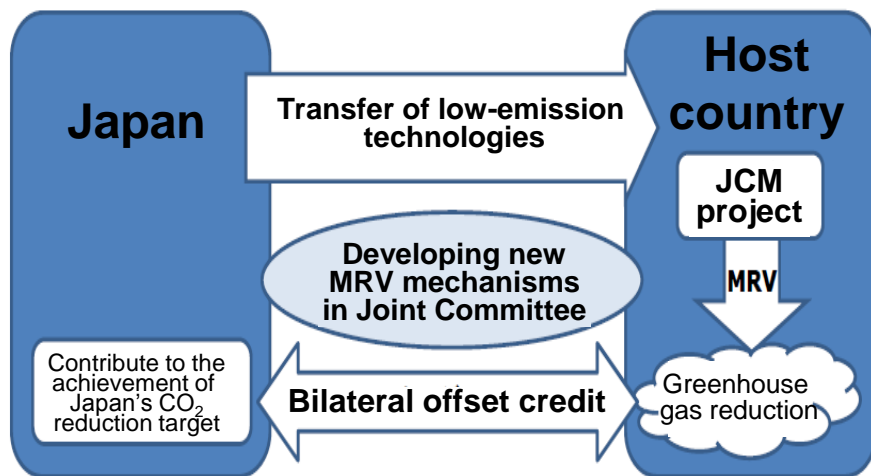
Step 3: Separate generation and transmission and abolish regulations on retail electricity rates (implemented 2018–2020)

- Making generation and transmission separate sectors will give companies equal access to transmission lines. Also, regulations on retail electricity rates will be abolished in principle (bill to be submitted in 2015).

Promote Thermal Power Generation

- Highly efficient coal-fired thermal power generation can play a key role in combating global warming and ensuring sustainable global economic growth. Coal-fired thermal power generation accounted for 40% of the world's entire power generation as of 2010.
- Disseminate Japan's high-performance thermal power generation technology globally while accelerating R&D programs in the area.
- Speed up and clarify environmental assessment procedures so that private companies can invest in thermal power generation.

Overview of Joint Crediting Mechanism (JCM) and the Bilateral Offset Credit Mechanism (BOCM)



Introducing highly efficient coal-fired thermal power plants will strengthen Japan's commitment to reducing global CO₂ emissions and fighting climate change.

If coal-fired power plants in the United States, China and India were as efficient as Japan's latest generation of power plants, global CO₂ emissions would be reduced by an amount equal to Japan's annual emissions (approx. 1.3 billion tons/year).

Breakdown:

U.S.A.	1.95 billion tons	→	1.56 billion tons	(-0.39)
China	2.27 billion tons	→	1.49 billion tons	(-0.78)
India	0.57 billion tons	→	0.39 billion tons	(-0.18)

Commercialize Regenerative Medicine

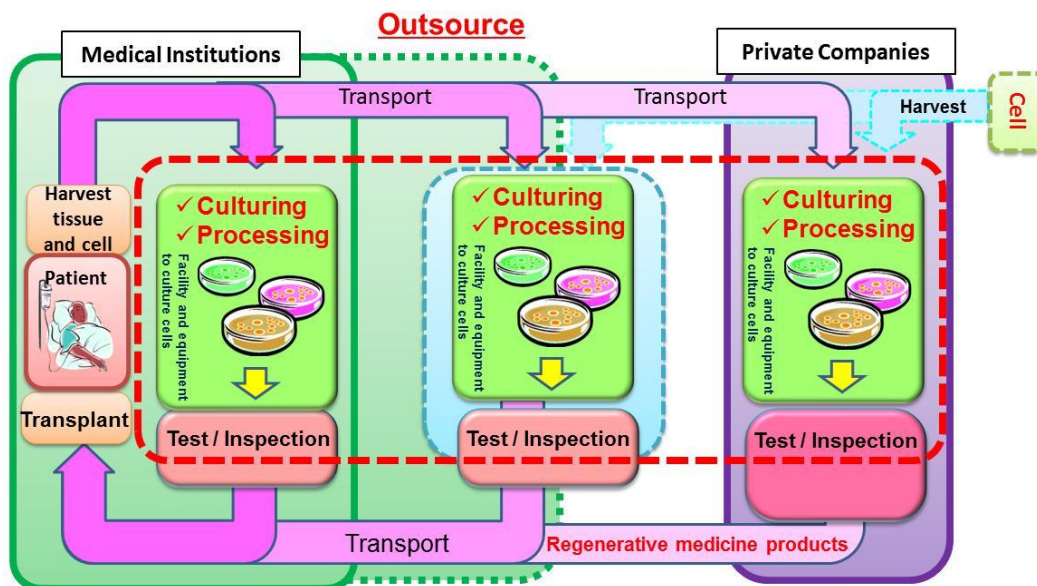
- The government will establish an environment in which regenerative medical technologies can be commercialized swiftly and safely.

Examples of research aimed at entering clinical trials within 1–3 years

- ✓ Develop age-related maculopathy therapy by transplanting iPS cell-derived cells of the retinal pigment epithelium
- ✓ Regenerate knee meniscus by using synovium stem cells
- ✓ Develop minimally invasive therapies for liver regeneration by using cultured human bone marrow cells
- ✓ Realize corneal endothelium regeneration therapies by transplanting cultured human corneal endothelium cells

Consideration of adequate regulations based on characteristics of regenerative medicine

- Allow medical institutions to outsource the culturing and processing of cells
- Introduce early certification scheme allowing commercialization of medicines on condition of effectiveness and safety being verified through case studies



Number of regenerative medicines on the market and under clinical trial, by country/region

Japan	2 (4)
Korea	14 (31)
Europe	20 (42)
US	9 (88)

Note: medicines undergoing clinical trials shown in brackets



Expand the Scope of Advanced Medical Treatments

- A new and faster system for assessing and certifying advanced medical treatments will be established. This will broaden the scope for combining treatments covered by public health insurance with advanced treatments which aren't covered.

Current Situation

- In Japan, treatments available on public health insurance may be combined with treatments that aren't covered, if the latter is certified by the Advanced Medical Service Council as an “advanced medical treatment” that is effective and safe
- Since the system was introduced in 2006, the number of medical institutions offering advanced medical treatments has dramatically increased. The number of treatments that newly became covered by health insurance increased from 17 between 2000-2004 to 63 between 2006-2012.

	Before introduction (January 2000–March 2006)	After introduction (April 2006–December 2012)
Number of advanced treatments	77	95
Number of medical institutions offering advanced medical treatments	126 (as of April 2005)	1039 (as of December 2012)



Targets of Reform

- Shorten the assessment process from the current 6–7 months to about 3 months by introducing new and highly-specialized assessment bodies.
- Introduce new assessment body for anti-cancer drugs by the end of autumn, 2013.
- Introduce new assessment bodies for regenerative medicines and medical devices.

Establish a “Control Tower” for Medical Research and Development

A Japanese version of the National Institute of Health (NIH) will be established. This will:

- Manage all medical research that the government should strategically promote
- Bridge the gap between the fundamental research and clinical phases while ensuring world-leading quality of research and trials

NIH Headquarters

Tasked with formulating a comprehensive medical R&D strategy

High priority research fields

- ✓ Cancer
- ✓ Psychiatric and neurological diseases
- ✓ Infectious diseases
- ✓ Intractable and rare diseases
- ✓ Development of drugs and medical devices
- ✓ Commercialization of regenerative medicines

NIH Japan

- Manages medical research projects based on a comprehensive strategy
- Managed by a Program Officer (PO) and a Program Doctor (PD)

Integrating R&D management

Improving the research environment

Research institute

Research institute

Clinical trials core hospitals

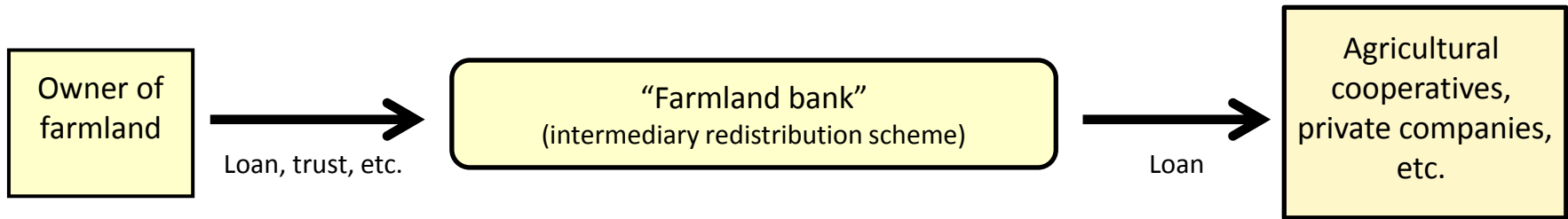
Research projects based on a comprehensive strategy

World-leading clinical research and trials bridge the gap between fundamental research and clinical phases.

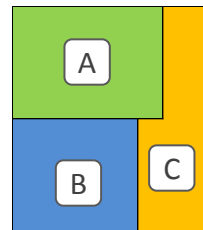
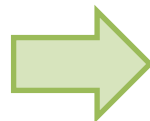
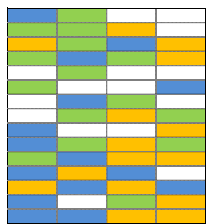
Consolidate Farmland

- The area of deserted farmland in Japan has doubled in the last 20 years. Only 50% of Japan's total farmland area (4.59 million ha) is now in use by agricultural cooperatives, private companies etc.
- Japan will establish prefecture-level institutions tasked with redistributing farmland to drive agricultural structural reform and reduce costs through consolidation of farmland.
- Targets: Expand area used by motivated entities to more than 80% in 10 years, and quadruple the number of corporations engaged in agriculture to 50,000.

Scheme



Farmland consolidation



**Cost
reduction**

Green	A	Agricultural cooperative	20ha
Blue	B	Large-scale family business	20ha
Yellow	C	Company	20ha
White	D	Small-scale family business, etc.	20ha

A	Agricultural cooperative	30ha
B	Large-scale family business	25ha
C	Company	25ha

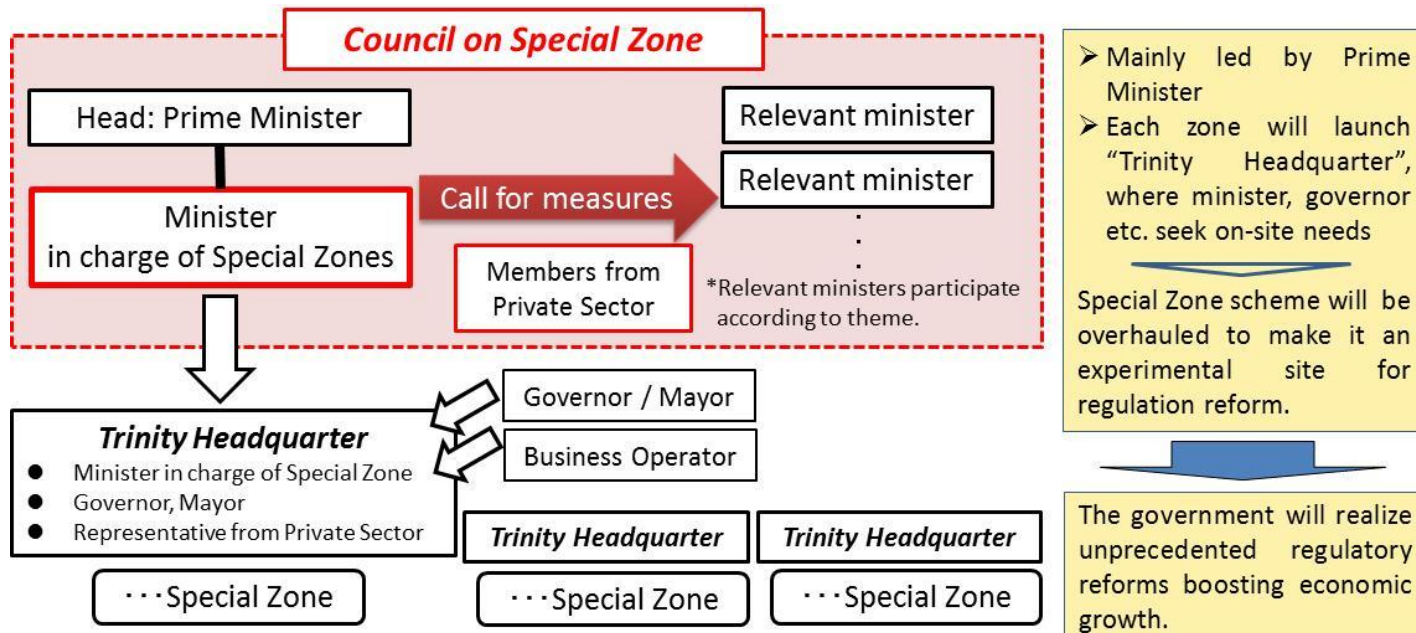
Establish 'National Strategic Special Zones'

- National Strategic Special Zones will offer experimental sites for regulatory reform, creating an environment that will attract investment from all over the world. Corresponding tax measures will also be explored.
- The scheme differs from previous schemes by being coordinated by the Prime Minister and the national government, rather than by local governments.

Example targets of National Strategic Special Zones

- Create cities that are internationally competitive in a wide range of criteria, such as quality of life
- Form an international hub for innovation in the medical industry

Process for establishing National Strategic Special Zones (under consideration)



Attract Foreign Tourists

- The government aims to increase the number of foreign tourists visiting Japan to 30 million by 2030. The number is expected to exceed 10 million this year, up from 8.34 million in 2012.

Competition to attract foreign visitors is intensifying

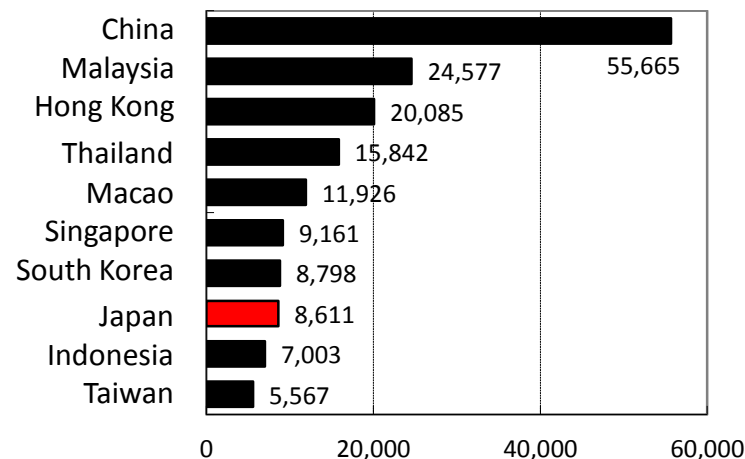
- Japan is ranked 30th among the countries in the world in the number of acceptance of foreign visitors.
- Even in Asia, Japan is ranked 8th, which is behind Thailand and Korea. (in 2010)

Relaxation of visa requirements

Previous visa requirements of Japan and Korea

Countries of origination	Visa requirement by Japan	Visa requirement by Korea
China	Multiple (only for visitors to disaster-hit area or to Okinawa)	Multiple
Taiwan	Visa-free (within 90 days)	Visa-free (within 30 days)
Hong-Kong	Visa-free (within 90 days)	Visa-free (within 90 days)
Thailand	Multiple	Visa-free (within 90 days)
Singapore	Visa-free (within 90 days)	Visa-free (within 90 days)
Malaysia	Multiple	Visa-free (within 90 days)
Indonesia	Multiple	Multiple
Vietnam	Single	Multiple
Philippines	Single	Multiple

Number of foreign visitors to Asian countries (as of 2010)



- In July 2013, the Government of Japan relaxed visa requirements to enable visa-free entrance to visitors from Thailand and Malaysia, the issuance of multiple entry visas for visitors from Vietnam and Philippines, and to extend the period for multiple entry visas for visitors from Indonesia.
- The government is also considering introducing a long-stay scheme for foreign visitors who meet certain criteria.

Note: Korea, which has a population of less than a half of Japan's, had around 11.1 million foreign visitors in 2012.

3. Japan's Growth Strategy: Recent Progress

Recent Progress

- On October 1, Prime Minister Abe formally announced the decision to raise consumption tax rates from the current 5% to 8%, from next April. At the same time, a package of economic policy measures meant to deal with any economic effects of the tax hike, was agreed upon.
- A set of “Outline of the Action Plan to Implement the Growth Strategy” was included as part of the package. This provides details on a number of important measures, including tax incentives to stimulate private investment and regulatory reforms that will be implemented in the National Strategic Zones.
 - ✓ The policy package also includes:
 - Implementation of a ¥5 trillion stimulus package in early December accompanied by a supplemental budget.
 - Consideration of early expiration of the special corporate surtax for reconstruction
 - ✓ Aside from the policy package, the tax committee of the ruling party also made clear that they will start to consider future reductions to the effective corporate tax rate.
- The government will accelerate and enhance implementation of the ‘third arrow’, based on the “Principles for Implementing the Growth Strategy”. Prime Minister Abe has emphasized that the main focus of the Diet’s autumn session is implementation of the third arrow. The government intends to submit the necessary bills to achieve this.
- At the same time, the Industrial Competitiveness Council, which resumed sessions in early September, will focus on outstanding issues in areas such as the labor market, medical and nursing services and agriculture, as the strategy’s second phase.

Outline of the Action Plan to Implement the Growth Strategy

- ◆ Accelerate and reinforce the implementation of the growth strategy, known as the “Japan Revitalization Strategy”, which is the third arrow of ‘Abenomics’.
- ◆ Specify the measures needed to implement the Japan Revitalization Strategy, including submission of the **relevant bills** during the coming special Diet session.

Bills to be submitted during the coming special Diet session include:

- ✓ The Industrial Competitiveness Enhancement bill
- ✓ Bill to revise the Electricity Business Act
- ✓ Bill concerning National Strategic Special Zones
- ✓ Bill concerning “Farmland bank” (intermediary farmland-redistribution scheme)

1. Establish frameworks to implement regulatory and institutional reforms

- ◆ Accelerate significant structural reforms in the following THREE SPHERES:
 - **Region-wide:** National Strategic Zones to implement drastic regulatory reforms, especially in the fields of medicine, education, agriculture and city-planning
 - **Individual corporations:** New scheme to promote corporations venturing into new business fields by offering special regulatory treatment
 - **Nation-wide:** New scheme to clarify regulations in new business fields

2. Promote capital investment and restructuring/reorganization of businesses

- ◆ Stimulate capital investment through business environment improvement and tax incentives
 - New tax incentives for capital investment that enhances productivity
 - New tax incentives to promote business restructuring/reorganization
 - New tax incentives for corporations investing in venture funds
 - Promotion of the appointment of external directors to enhance corporate governance
- ◆ Review management of public and quasi-public funds such as Government Pension Investment Fund (GPIF)

Outline of the Action Plan to Implement the Growth Strategy (continued)

3. Employment system reform and reinforcement of human capital

- ◆ Establish an environment in which men and women can raise children while working (swift implementation of the “zero childcare waiting list project” etc.)
- ◆ Review the points-based preferential immigration system for foreign professionals
- ◆ Reinforce universities’ role in creating innovation, and to promote university reforms

4. Create strategic markets through structural reforms

Create new markets through regulatory and institutional reforms and open-up markets that have been dominated by the public sector

- Establish a new governmental institution that manages all R&D projects in the field of medicine
- Enhance agricultural competitiveness through farmland consolidation
- Reform the electric power industry

5. Secure growth strategy implementation at regional level and innovation among SMEs

Promote innovation of SMEs through the united efforts of central and local government

- Establish “Councils on Industrial Competitiveness” at a regional level
- Create frameworks to energize SMEs

Regulatory Reform in National Strategic Special Zones

- On October 18, 2013 the **regulatory reform agenda** for the **National Strategic Special Zones** was decided at the Headquarters for Japan's Economic Revitalization.

The reform agenda for special zones includes: expansion of medical treatment by foreign doctors, easing of regulations on hospital beds, clarification of employment rules, easing of regulations on limited-term employment, opening the operation of public schools to the private sector, deregulation to promote residences in urban centers, etc.

Reforms to Employment Regulation

1) Clarification of employment rules

- In response to dissatisfaction from international companies concerning the transparency of employment rules in Japan, this reform aims to **establish a guideline for hiring and firing** based on judicial precedents. This is intended to **increase understanding of labor and management issues** and prevent legal disputes.
- In addition, the government will establish **counseling centers** in the National Strategic Special Zones, where companies will be offered consultations to confirm that their employment contracts are consistent with official guidelines.

2) Easing regulations on limited-term employment

- The government will consider a nationwide extension of the period of limited-term employment from the current 5 years.

* Under the current system, the period for limited-term employment is 5 years. If the period exceeds 5 years, employers must turn the contract into unlimited-term employment, should the employee apply for it.

4.Heading toward...

Heading toward...

Japan, from a forerunner full of challenges of developed economy to a trailblazer of finding their solutions

- Today, according to Mr. Richard Haass, the United States faces a raft of formidable challenges as follows;
 - **The government deficit and the debt.**
 - **Energy**
 - **Immigration**
 - **Politics**
 - **Education**
 - **Infrastructure**
 - **Economic Growth**

—“Foreign Policy Begins at Home” (Basic Books 2013)

- Many developed countries including Japan face similar challenges. In particular, challenges relating to demographics, government debt, immigration and economic growth.
- Given the rapidly aging population, Japan will be the first developed country to address many of these issues. Fortunately, the political resolution and public support seen since the last election has allowed Japan to take significant steps forward.
- By pursuing the three arrows strategy of Abenomics and by ensuring that these arrows hit their targets, the Abe administration will successfully prepare Japan to overcome the challenges it faces.
- In the process, Japan aims to be a paragon for other developed nations facing similar challenges in the near future.