

Outline of the Action Plan to Implement the Growth Strategy

October 1, 2013

Decision of the Headquarters for Japan's Economic Revitalization

In order to ensure that people's expectations for the end of deflation and a positive move towards economic recovery, triggered by the first and second policy arrows of Abenomics, will lead to a stable growth path, the government of Japan will endeavor to encourage business owners and the public to transform their expectations into actual actions, thereby creating even more positive expectations towards the future of Japan's economy and facilitating stronger corporate capital investment and steady consumption.

For this purpose, the government will accelerate and strengthen the Japan Revitalization Strategy (Cabinet decision on June 14, 2013), the third arrow of Abenomics, launched to change people's expectations into actions. Through the discussions held after the formulation of strategy, details and directions of the structural reforms regarding the following major related measures, such as the submission of bills at the next extraordinary Diet session, have been embodied or these measures have been decided to be implemented ahead of schedule. The government will firstly press on with these measures in an integrated manner.

[Related Bills to be Submitted to the Next Extraordinary Diet Session]

Bills for the Industrial Competitiveness Enhancement Act, related Acts on National Strategic Special Zones, the Act to Revise the Companies Act, the Act to Revise the Pharmaceutical Affairs Act, etc., the Act to Ensure the Safety of Regenerative Medicine, etc., the Act to Revise the Electricity Business Act, related Acts for the Development of Farmland Intermediary Management Institutions (provisional title), and the Act for the Promotion of Renewable Energy in Rural Areas

1. Infrastructure Development for Regulatory and Institutional Reforms

In order to force through regulatory and institutional reform in fields where private-sector power has not been exercised sufficiently, the government will submit bills for related Acts on National Strategic Special Zones and the Industrial Competitiveness Enhancement Act at the next extraordinary Diet session, and will endeavor to develop an institutional structure to promote structural reforms with the three-area approach: on a region-wide basis, on a corporation basis, and on a nation-wide basis.

○ **Regulatory and institutional reforms on a region-wide basis through the creation of National Strategic Special Zones**

- From the perspectives of creating competitive international cities with comfortable living environments, and of developing international innovation hubs in medicine and other fields, as a breakthrough to force through bold regulatory and institutional reforms to drastically change Japan's economic society, the government will materialize the concept of National Strategic Special Zones by combining and implementing exceptional measures, with the goal of creating the most business-friendly environment in the world to ignite the growth of Japan.

Specifically, the matters as follows will be discussed and materialized: the review of regulations on land use, such as floor-area ratios and usage; opening of the operation of public schools to the private sector; approval of new construction and increase of beds in international medical centers through exceptional measures on regulations on the number of beds; facilitating the combination use of both services covered by public health insurance and advanced healthcare services not covered by the insurance; exclusion of traditional buildings used as lodging facilities from application of the Inns and Hotels Act; special measures to enhance competitiveness of agriculture. Through such deliberations, the government will take necessary measures, such as the submission of bills relevant to National Strategic Special Zones at the next extraordinary Diet session.

○ **Regulatory reform on a corporation basis through the establishment of the Special System for Corporate Field Tests (popular name)**

- The Special System for Corporate Field Tests (popular name) will be established to support business operators' business expansion to new fields by offering special regulatory measures on a corporation basis with the premise that alternative measures to ensure safety are taken (in relation to a bill for the Industrial Competitiveness Enhancement Act).

○ **Confirmation of new business legality through the establishment of the System to Eliminate Regulatory Gray Zones (popular name)**

- The System to Eliminate Regulatory Gray Zones (popular name) will be established to enable business operators to check legality of new business in advance based on a business plan, so that they can expand their business at ease even in new fields where the coverage of existing regulations is unclear (in relation to a bill for the Industrial Competitiveness Enhancement Act).

○ **Regulatory and institutional reform on a nationwide basis through collaboration between the Council for Industrial Competitiveness and the Council for Regulatory Reform**

- Taking into consideration the effects of special schemes to be newly established, and in line with the purport of the Japan Revitalization Strategy, the Council for Industrial Competitiveness and the Council for Regulatory Reform will collaborate with each other to discuss means to further regulatory and institutional reform and accelerate structural reforms, especially in the fields of employment (building of a personnel management system to promote flexible and diversified working styles, etc.), medical care and nursing care (establishment of a system to efficiently provide high quality services, etc.), and agriculture (measures to facilitate entry of corporations, etc.).

2. Promotion of Private Investment and Industrial Metabolism

In order to encourage companies to invest their management resources for the future (private investment of 70 trillion yen over the next three years), the government will endeavor to develop a favorable business environment mainly by way of making bills for the Industrial Competitiveness Enhancement Act and the Act to Revise the Companies Act, while generally mobilizing all other measures, including tax incentives, budgetary measures, financial assistance and institutional reform.

○ **Tax incentives for stimulating private investment**

- The government will carry out tax incentives based on “the Outline of the Tax Revision for Stimulating Private Investment” (Liberal Democratic Party and New Komeito decision on October 1, 2013) with the aim of increasing private investment.
 - Creation of a new tax incentive (immediate depreciation and tax credit) to promote capital investment that may lead to the enhancement of productivity through acquisition of cutting-edge equipment; expansion of a tax incentive favorable to SMEs to promote their investment; and expansion of a tax incentive on research and development to promote companies’ R&D investment
 - Creation of a new tax incentive (reserve for loss) to promote strategic and drastic business reorganization for significantly enhancing profitability and of a new tax incentive (reserve for loss) to promote companies’ investment in venture funds
 - Creation of a new tax incentive to promote quake-resistant work as a tax system responding to the development of an institutional and regulatory environment to

increase capital investment; and offering of support for the promotion of energy-saving renovation and climate change countermeasures, as well as for the dissemination of CFC-free products, substantially through the aforementioned tax incentive to promote capital investment that may lead to the enhancement of productivity.

○ **Support utilizing the method of operating lease transactions**

- With regard to cutting-edge equipments, such as advanced medical equipment and 3D printers, which require high initial cost with uncertainty as to when they can actually be put to use, the government will promote support utilizing the method of operating lease transactions (in relation to a bill for the Industrial Competitiveness Enhancement Act).

○ **Strengthening of corporate governance**

- The government will submit a bill for the Act to Revise the Companies Act at the next extraordinary Diet session, which aims to promote the introduction of highly independent outside board members, with the goal of ensuring at least one outside board member for each company.

○ **Reviewing the portfolio and governance of public and quasi-public funds**

- In view of Japan's departure from deflation, the government will hold discussions on the promotion of portfolio diversification, including diversification of the types of assets to invest in, and strengthening of governance such as risk management structure, bearing in mind the sizes and characteristics of the respective funds. The results of the discussions will be compiled by the end of November 2013.

○ **Vitalization of financial and capital markets**

- The government will compile, by the end of this year, measures to enhance the attractiveness of Japanese financial and capital markets such as measures to divert individuals' financial assets as financing for growth, and measures to realize and take in the potentialities of Asian economies.

3. Employment System Reform and Enhancement of Human Capital

The government will accelerate initiatives for enhancing human capital and reforming the employment system, by speeding up the utilization of private-sector human resource businesses and implementing “the zero child-care waiting list project”, and will also endeavor to compile a national university reform plan around the end of October 2013 to reform the payroll system and other systems for national universities.

- **Speeding up of the utilization of private-sector human resource businesses**
 - While reviewing means to publicize information on job offers and applications held by public job-placement offices (Hello Work), the government will review the requirements for the eligibility for the Trial Employment Incentive Pays within this year, in order to move up the schedule for the utilization of private-sector human resource businesses and the expansion of the coverage of the aforementioned grants targeting those hiring NEETs (young people Not in Education, Employment or Training) and part-time jobbers.

- **Countermeasures against the falling birth rate and development of an environment where both men and women can balance work and child-rearing, etc.**
 - While ensuring necessary funds, the government will swiftly implement “the zero child-care waiting list project”. Furthermore, discussions will be held at the Labour Policy Council and other meetings, with regard to the improvement of financial assistance during childcare leave and the extension of the Act on Advancement of Measures to Support Raising Next-Generation Children, with the aim of submitting bills for revising the Employment Insurance Act and the Act on Advancement of Measures to Support Raising Next-Generation Children at the next ordinary Diet session.

- **Promotion of the utilization of Highly Skilled Foreign Professionals**
 - The government will advance an institutional reform to commence the new Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals within this year and will submit a bill for revising the Immigration Control and Refugee Recognition Act at the next ordinary Diet session, to take measures required for shortening the periods of stay for permitting permanent residence for Highly Skilled Foreign Professionals.

- **Strengthening of functions of universities to create innovations and promotion of university reform**
 - In order to strengthen the functions of national universities to create innovations, the

government will take measures to allow national universities to invest in funds, such as those that support university-launched ventures, ahead of schedule (in relation to a bill for the Industrial Competitiveness Enhancement Act).

- The government will immediately commence reform of the payroll system for the purpose of enhancing the education and research functions and will establish a national university reform plan by around the end of October 2013 with the goal of completing the reform by fiscal 2015.

4. Creation of Strategic Markets through Structural Reforms, etc.

While opening up markets that have been dominated by the public sector through the use of PPP and PFI and regulatory and institutional reforms, the government will create new strategic markets in such fields as healthcare and medicine, energy and agriculture that will boost Japan's economic growth, by attracting funds, technologies, and know-how from the private sector.

○ Promotion of the development and management of social infrastructure by utilizing private funds, etc. (PPP/PFI)

- In order to promote the introduction of private funds and foster the infrastructure investment market at an early stage, the Private Finance Initiative Promotion Organization (Public-Private Infrastructure Fund), will be established in early October 2013.
- The government will decide the basic policy on the introduction of the concession system to national airports, etc. by the end of November 2013. Furthermore, the government will start discussions specifically in October 2013 for further enhancing the functions of Haneda Airport and Narita Airport after their achieving the total annual capacity of 0.75 million flights.
- In order to make progress in the renewal of the Metropolitan Expressways in tandem with the urban redevelopment, discussions will be commenced ahead of schedule concerning the Tsukijigawa River section and other sections as model cases to compile institutional problems and countermeasures within this year.

○ Creation of Cross-ministerial Strategic Innovation Promotion Program and Impulsing PARadigm Change through disruptive Technologies

- Discussions will be held for the creation of Cross-ministerial Strategic Innovation Promotion Program and Impulsing PARadigm Change through disruptive Technologies that enables flexible operation under a program manager, and the government, on the basis of the results

thereof, will take necessary measures, including the submission of a bill for revising the Act for Establishment of the Cabinet Office at the next ordinary Cabinet session.

○ **Reform of healthcare and medical markets**

- With the aim of accelerating the development of medical products and equipment and the commercialization of regenerative medicine, the government will endeavor to enact bills for the Act to Revise the Pharmaceutical Affairs Act, etc. and the Act to Ensure the Safety of Regenerative Medicine, etc. at the next extraordinary Diet session.
- In order to establish an incorporated administrative agency (Japan Medical Research and Development Agency (provisional)) as a new governmental institution managing research and development in the medical field, the government will submit necessary bills at the next ordinary Diet session.
- The government, noting intensifying international competition, will speed up initiatives for regulatory and institutional reform, research and development, and support for companies' overseas development.

○ **Strengthening of competitiveness in agriculture through consolidation of farmland and production rationalization**

- In order to develop Farmland Intermediary Management Institutions (provisional title) that will facilitate consolidation and aggregation of farmland to motivated entities (corporations, large-scale family farmers, companies, newcomers, etc.), the government will submit related bills at the next extraordinary Diet session.

○ **Pushing through the Electricity System Reform and promotion of the introduction of renewable energy**

- For the purpose of proceeding Electricity System Reform to realize full liberalization of entry to electricity retail business and legal unbundling of the transmission and distribution sectors, the government will submit a bill to amend the Electricity Business Act at the next extraordinary Diet session.
- In order to revitalize rural areas by promoting power generation harnessing renewable energy in a way harmonious with sound development of the agriculture, forestry and fisheries industry, the government will submit a bill for a new Act, the Act on the Promotion of Renewable Energy in Rural Areas at the next extraordinary Diet session.

○ **Promotion of the initiative for improving service life of infrastructure**

- The government will compile a basic plan for extending service life of infrastructure (basic policies) by the end of November 2013 and clarify goals and a roadmap for enhancing safety and reducing lifecycle costs.

5. Implementation of Growth Strategy at Region Level and Innovation of SMEs and small businesses

The government will implement the growth strategy by the united efforts of the central government and local governments so that the effects of the Japan Revitalization Strategy will spread to local economies as well as SMEs and small businesses, and will lead to an economic recovery in Japan as a whole. At the same time, the government will promote innovation of SMEs and small businesses.

○ **Implementation of growth strategy at regional level**

- The Council on Regional Industrial Competitiveness will be set up sequentially in each region in around October 2013 to promote full-scale local efforts involving the industry, academia, the public sector, financial institutions, and others, by the united efforts of the central government and local governments to reflect opinions of local communities in the implementation of the Japan Revitalization Strategy.

○ **Promotion of business startups, etc. in local areas**

- The government will support municipal initiatives to build a support system in collaboration with private start-up support businesses, with the aim of promoting business startups in local areas and of strengthening support for recovery of SMEs and small businesses (in relation to a bill for the Industrial Competitiveness Enhancement Act).

○ **Development of a framework for the promotion of small businesses**

- In order to provide effective support to small businesses, which have been serving as a basis of Japan's manufacturing and other industries, the government will submit a basic bill for the promotion of small businesses at the next ordinary Diet session.