

Provisional Translation

FY2014
Points of Economic and Industrial Policies

August 2013
Ministry of Economy, Trade and Industry

This is a provisional English translation. For the original Japanese edition, please refer to the following link: http://www.meti.go.jp/main/yosangaisan/fy2014/pdf/01_3.pdf.

Points of FY2014 Economic and Industrial Policies

<Basic Understanding of Japan's Economic Situation>

- Since the beginning of this year, the government of Japan has launched the first “arrow” (of the Abe administration’s three arrows of economic revival) of a bold monetary policy aimed at dispelling the deflation mindset and the second “arrow” of a flexible fiscal policy aimed at igniting the dampened economy. At the same time, it has made bold decisions on national issues, such as participation in TPP negotiations and the Electricity System Reform, and has been taking concrete actions.
- The appreciation of the yen is being corrected, but we need to continue our efforts to deal with problems concerning high energy costs, corporate tax and domestic regulations, as well as tariffs and other cross-border measures, with the aim of enhancing Japanese companies’ international competitiveness.
- In order to make personal consumption and corporate capital investment truly sustainable, we must promptly and steadily implement the third arrow, the Japan Revitalization Strategy. For that purpose, we will allocate the budget and policy resources intensively to promote the expansion of private investment, cultivation of new markets, and business restructuring.
- Furthermore, closely watching the trend of energy cost hovering at high levels and the moves concerning the consumption tax hike, we will take measures to stabilize the business of small and medium-sized enterprises and micro enterprises.

<Concept>

- The first priority should be placed on the acceleration of reconstruction of Fukushima and other earthquake-stricken areas. We will support people’s efforts to put their lives back in order so that those who have been forced to evacuate can return to their hometown at an early stage, and the national government will take the initiative to accelerate measures to decommission Fukushima Daiichi Nuclear Power Station. Furthermore, measures to reconstruct industries in earthquake-stricken areas will also be promoted to revitalize those areas.
- In order to promptly and steadily implement the Japan Revitalization Strategy, we will allocate the budget and policy resources intensively to (i) Industry Revitalization Plan, (ii)

Strategic Market Creation Plan, and (iii) Strategy of Global Outreach, thereby correcting three distortions in the Japanese economy, i.e., underinvestment, overregulation, and excessive competition, and exploring a new frontiers while making efforts to overcome Japan's social problems, with the goal of cultivate the world's growing markets and attracting people, goods, and funds from all over the world.

- Additionally, in order to build up a robust industrial structure and support the Growth Strategy, we will steadily promote the environment and energy policies and the renovation of SMEs and micro enterprises.

○Marks attached to each of the projects below mean as follows.

- : Budget related projects
- ◆: Fiscal Investment and Loan Program related projects
- : Taxation related projects
- ★: Legislation and system development related projects
- ▲: Other projects

○Budget amounts are indicated as follows.

Projects to be included in the post disaster reconstruction special account are indicated as <reconstruction>.

Some projects are included in multiple accounts redundantly.

: Items for which an increased budget is requested

“FY2014 Budget Request (FY2013 Initial Budget)”

: Items for which a budget is newly requested

“FY2014 Budget Request (new)”

: Items to be considered in the budgeting process (requests without specifying the amount)

“Requests without specifying the amount (FY2013 Initial Budget or (new))”

Outline of the METI-related FY2014 Budget Request

The Ministry of Economy, Trade and Industry requested 386.3 billion yen for the general account and 1.0294 trillion yen for the energy resources special account. The budget will be allocated intensively to projects to support the reconstruction of Fukushima and other earthquake-stricken areas, and to promote the Growth Strategy (Industry Revitalization Plan, Strategic Market Creation Plan, and Strategy of Global Outreach).

Outline of the METI-related FY2014 Budget Request

(billion yen)

	FY2013 Initial Budget	FY2014 Budget Request	Change from FY2013
General Account (excluding Energy Resources Special Account)	329.9	386.3 (Incl. special priority framework (68.9))	+56.4
Expenses for SMEs' support	107.1	135.1	+28.0
Expenses for science and technology promotion	101.7	122.9	+21.1
Others	121.1	128.3	+7.2
Energy Resources Special Account^(Note 1)	783.3	1,029.4 (Incl. special priority framework (152.6))	+246.1
Accounts for supply and demand of energy	623.3	850.5	+227.3
Accounts for power source development	153.0	172.9	+19.9
Special Account for Patents	114.8	127.4	+12.6
Special Account for Trade Reinsurance	209.1	203.9	-5.2
Total	1,437.1	1,747.0	+309.9

- **Special Account for Reconstruction from the Great East Japan Earthquake (Reconstruction Agency): Approx. 109.3 billion yen (74.7 billion yen)**

*Excluding the request for the following two projects

- **Items to be considered in the budgeting process (requests without specifying the amount)**

Special Account for Energy Measures: Measures for the treatment of contaminated water

Special Account for Reconstruction: Subsidy for the location of businesses for creating employment in the areas affected by the tsunami and the nuclear accident, disaster recovery projects for joint facilities of SME associations (group subsidy), etc.

Note 1: The Special Account for Energy Measures includes the provision from the General Account and the difference between i) the projected revenue from petroleum and coal tax and from the promotion of power sources development tax and ii) the value of the provision to the Special

Account for Energy Measures in the FY2013 Initial Budget.

Note 2: The Special Account for Reconstruction from the Great East Japan Earthquake is collectively included in the request for the Reconstruction Agency.

Note 3: Sums may not match the total figures due to rounding off.

Acceleration of Reconstruction as the First Priority

I. Acceleration of reconstruction of Fukushima & other earthquake-stricken areas

Standing closer to the people affected by the Great East Japan Earthquake, METI will commit to accelerate reconstruction as the top priority and the state's responsibility. In particular, preparations are being made for the lifting of evacuation orders in the evacuation order areas of Fukushima Prefecture, which suffered immense damage from the nuclear accident. In enabling the affected residents to return to areas from which evacuation orders have been lifted, securing places of employment, reviving local commercial functions, and other such initiatives aimed at rebuilding livelihoods are essential. Therefore, the necessary measures will be implemented to enable the affected residents to return home. Moreover, the resolution of the accident at Fukushima Daiichi Nuclear Power Station (Fukushima Daiichi NPS) is the biggest concern in terms of the return of the affected residents. METI will make best efforts to decommission Fukushima Daiichi NPS by promoting government-led R&D as well as management of the progress of the decommissioning of the Fukushima Daiichi NPS in accordance with the Mid-and-Long-Term Roadmap and take all possible measures to maintain the safety of the plant. In addition, as well as aiming to establish Japan as a pioneer of renewable energy, so as to revitalize the damaged areas, METI will strive to rebuild industry and create employment, focusing on medical care, pharmaceuticals development, and IT.

(1) Support for early return of affected residents once evacuation orders are lifted

Even now, more than two years after the disaster, around 150,000 people throughout Fukushima Prefecture are compelled to endure life as evacuees. Moves aimed at the return of the affected residents will be getting underway in earnest, focusing on areas being prepared for the lifting of evacuation orders, which have been designated as zones where we will try to return the affected residents as soon as possible. Accordingly, it is necessary to secure places of employment and to revive commercial functions in such areas. METI will implement the requisite initiatives to achieve these goals.

○Support for early return of affected residents once evacuation orders are lifted

●Subsidy for the location of businesses for creating employment in the areas affected by the tsunami and the nuclear accident <reconstruction>: Requests without specifying the amount (¥110.0 billion)

Industrial reconstruction will be accelerated through employment creation focused on areas affected by tsunami inundation at the time of the Great East Japan Earthquake and Fukushima Prefecture, which suffered immense damage due to the nuclear accident. In addition, efforts to

revive commercial functions will be promoted, in order to encourage the return of the affected residents to areas from which evacuation orders have been lifted.

● Disaster recovery project for joint facilities of SME associations (group subsidy)
<reconstruction> (mentioned later)

○ Measures against harmful rumors

● Support for the measurement of radiation dose in industrial products, etc.; support for cultivating markets <reconstruction> : ¥0.26 billion (¥0.26 billion)

Measures against harmful rumors about industrial and other products will be implemented through the following initiatives (i) dispatch of expert teams to provide guidance and advice on the measurement of radiation dose in industrial and other products; and (ii) support for business matching and product development.

(2) Decommissioning of TEPCO's Fukushima Daiichi NPS

Above all, the major premise of reconstruction in Fukushima is the steady implementation of initiatives focused on the decommissioning of Fukushima Daiichi NPS, so the government will be at the forefront of efforts to deal with this. With a view to the steady implementation of the Mid-and-Long-Term Roadmap towards the Decommissioning of TEPCO's Fukushima Daiichi Nuclear Power Station Units 1-4 (revised on June 27, 2013 by the Council for the Decommissioning of TEPCO's Fukushima Daiichi Nuclear Power Station), METI will promote such endeavors as the development and demonstration of remote-controlled equipment and devices for the removal of fuel debris, the development of technology for ascertaining the condition of fuel debris and dealing with it, the development of technology for processing and disposing of radioactive waste, and measures for treating contaminated water.

○ National government to take the lead in decommissioning

● Infrastructure development project for technologies for the decommissioning and safety of nuclear power reactors: ¥12.5 billion (¥8.68 billion)

Along with initiatives focused on decommissioning at Fukushima Daiichi NPS, the R&D that should be undertaken by the government will be conducted in order to develop infrastructure for technology that will contribute to the decommissioning and safety of reactors at nuclear facilities, including the development and demonstration of remote-controlled equipment for conducting work within reactors and the establishment of methods for ascertaining the condition of fuel debris.

▲ Achieving steady progress in decommissioning by concentrating international wisdom about decommissioning

As well as concentrating worldwide wisdom to facilitate steady progress in the

decommissioning of Fukushima Daiichi NPS, collaboration with partners such as the International Atomic Energy Agency (IAEA) will be pursued, and findings and lessons from the accident and information about progress with decommissioning will be shared with the international community.

●Promoting drastic measures to deal with the contaminated water issue: considered in the budget drafting process (requests without specifying the amount)

In relation to the fact that contaminated water from Fukushima Daiichi NPS is being discharged into the sea and the fact that the volume of contaminated water is continuing to grow because of the influx of groundwater into the buildings, drastic measures will be promoted to deal with the contaminated water issue, such as the construction of land-side impermeable walls utilizing the frozen soil method.

(3) Industrial reconstruction & employment creation

METI will pursue the rebuilding of industry and creation of employment in earthquake-stricken areas by conducting pioneering research, development, and demonstration focused on renewable energy, medical equipment and pharmaceuticals development, and IT security demonstration in the Tohoku region, aiming at developing an environment that enables the economic effects of industrial clusters to be fed back into earthquake-stricken areas.

●Industrial reconstruction and employment creation

○Disaster recovery project for joint facilities of SME associations (group subsidy)

<reconstruction>: requests without specifying the amount (¥25.01 billion)

In light of the immense damage resulting from the Great East Japan Earthquake, support will be provided for the repair of facilities based on reconstruction project plans formulated by groups of SMEs and other entities, focusing in particular on areas where reconstruction is lagging (areas affected by tsunami inundation in Iwate, Miyagi, and Fukushima Prefectures and evacuation order areas in Fukushima Prefecture).

●Subsidy for the location of businesses for creating employment in the areas affected by the tsunami and the nuclear accident <reconstruction> (mentioned above)

◆● Financial support for earthquake-stricken SMEs and micro enterprises <reconstruction>: ¥53.0 billion (¥53.0 billion)

Support will be provided through such initiatives as the Japan Finance Corporation's Great East Japan Earthquake Recovery Special Loan system.

○Renewable energy R&D and experimental study bases

●Project to strengthen the functions of Fukushima as a base for renewable energy R&D <reconstruction>: ¥1.6 billion (¥0.9 billion)

The evaluation of the technology seeds of local companies and human resources development in collaboration with local universities, etc. will be carried out at the R&D base that the National Institute of Advanced Industrial Science and Technology will establish in Fukushima Prefecture during FY 2013, in order to support the development of the renewable energy industry (expected to generate a turnover of around ¥4 billion) in earthquake-stricken areas.

●Project to develop next-generation renewable energy technology in Fukushima Prefecture
<reconstruction>: ¥1.3 billion (¥0.3 billion)

Support will be provided for R&D focused on renewable energy technology in Fukushima Prefecture, in order to develop more advanced technology in the prefecture.

●Research project to demonstrate floating wind farms <reconstruction>: ¥31.0 billion (¥9.5 billion)

With the aim of realizing the practical application of floating wind farms, offshore wind power generation technology will be established in Fukushima Prefecture by constructing a state-of-the-art floating wind power generation system off the coast of Fukushima Prefecture. In addition, the safety, reliability, and economic performance of such power generation will be evaluated.

●Promotion of the introduction of renewable energy in Fukushima Prefecture
<reconstruction>: ¥10.0 billion (¥0.5 billion)

A subsidy will be provided for the introduction of renewable energy power generation equipment and support will be provided for the installation of display panels and equipment that will enable local residents to experience renewable energy power generation.

○Medical devices and pharmaceuticals development bases

●Project to support the development and commercialization of medical and assistive devices in Fukushima Prefecture <reconstruction>: ¥2.0 billion (new)

A subsidy will be provided to manufacturers of medical devices and other products who locate in Fukushima Prefecture and intend to expand into the prefecture through collaboration with other companies. This subsidy will focus on costs involved in research, development, demonstration, and commercialization. The value of the production of medical devices within the prefecture is expected to double to ¥175 billion by 2020.

○IT security verification bases

●Project to establish bases of IT security evaluation and certification for critical infrastructures and to promote the security awareness raising, that contributes to the reconstruction and revitalization of Tohoku <reconstruction>: ¥0.54 billion (¥0.54 billion)

An international evaluation and certification body of the security of IT systems that control infrastructure will be established in Miyagi Prefecture within three years. This will be,

based on the strengths of the earthquake-stricken area in the fields of IT and electronics, an international cyber security hub for the collaboration between industry, academia and government.

●Project to develop a research base focused on the demonstration of advanced ICT in Fukushima Prefecture <reconstruction>: ¥0.8 billion (new)

A base for empirical research focused on data science will be developed at a research institute in Fukushima Prefecture, in order to promote research in the field of ICT, to support development in the fields of renewable energy and medical care, among others. This project is aimed at promoting ICT business startups, in order to accelerate industrial reconstruction in Fukushima.

II. Prompt, Steady Implementation of the Japan Revitalization Strategy

Positioning the next five years as the “period of accelerating structural reform” and the next three years as the “period to intensively promote investment,” METI will establish the Industry Competitiveness Enhancement Act (provisional name) in order to make Japanese industries more resilient with high global competitiveness through such industry stimulating measures as industrial renovation, support for venture businesses, and regulatory/institutional reform. With this as the core, all available policy resources will be allocated intensively.

Efforts to eliminate the three distortions (under-investment, over-regulation and delay in consolidation), centered on the Industry Competitiveness Enhancement Act (provisional name)

1. Industry Revitalization Plan

The Japanese economy has three areas of stagnation: human talent, goods, and funds. It is necessary to eliminate the three distortions that are the cause of this stagnation: under-investment, over-regulation, and delay in consolidation. Accordingly, METI will execute powerful measures to encourage renovation of industries, including measures to promote capital investment and the creation of new mechanisms for regulatory reform to facilitate new business creation with a unprecedented speed and scale. At the same time, METI will promote reforms of rigid regulations, starting with reforms of the electricity system.

Furthermore, METI will accelerate R&D for enabling Japan to become a world leader, as well as intensively allocate funds, human talent, and equipment to growth fields.

– Expanding private sector investment to ¥70 trillion over the next three years –

(1) Stimulating private investment to encourage renovation of industries

Positioning the next three years as the “period to intensively promote investment,” METI will allocate all possible measures – budgetary, tax, financial, and institutional – to promote domestic investment, with the aim of stimulating private sector investment during the current fiscal year and beyond, boosting capital investment over the next three years by 10% on the FY2012 level of about ¥63 trillion, and restoring private sector investment to pre-Lehman Shock levels (about ¥70 trillion annually (five-year average to FY2007)).

○ Tax system which promotes capital investment to improve productivity

■ Promoting investment in state-of-the-art equipment, etc.

Immediate depreciation, tax credits, and other tax benefit measures focused on high-quality

investment will be provided, such as the introduction of state-of-the-art equipment or improvement of production lines or operations.

○Expanding investment in state-of-the-art equipment by use of leasing

●Supporting investment in state-of-the-art equipment using operating leases: Requests without specifying the amount (new)

In order to promote investment in state-of-the-art equipment, support will be provided for investment based on leasing, which curbs the initial cost burden for companies and does not place an excessive burden on the balance sheet. Specifically, secondary use (sale, etc.) of such equipment will be promoted.

○Support for introducing the cutting-edge equipment utilizing energy conservation subsidies (mentioned later)

– *Creating new mechanisms for promoting regulatory reforms* –

(2) Regulatory reforms for challenging new frontiers

METI will build mechanisms that enable companies to take on the challenge of new business fields without any concerns, in order to restore manufacturing industry to a state in which it can succeed in global competition and create a high added value service industry.

○System of Special Arrangements for Corporate Field Tests (tentative title) to promote efforts by individual companies

★Mechanisms that will enable individual companies to take on the challenge of creating new business or using new technologies

In light of the fact that there are many cases in which a few motivated small companies drive new technologies and new industries, effective regulatory reforms will be promoted by allowing exceptions to regulations after appraising safety, etc. on an individual company basis, rather than on the conventional regional basis.

○Clarifying the “white zone” by creating a system to confirm legality

☆Mechanisms that enable companies to do business without any concerns

Where the applicability of regulations is unclear, clarification will be provided regarding those that fall into the “white” (legal) zone, thereby preventing a chilling effect on companies.

– *Toward a strong industrial structure* –

(3) Resolving delay in consolidation by business restructuring

METI will pursue revitalization of manufacturing industry so that it can succeed globally, both in terms of technology and in terms of business, by eliminating the structure of

delay in consolidation within Japan, stimulating innovation through bold investment, and dramatically increasing earning power. Accordingly, measures will be taken to alleviate the financial burden arising from organizational restructuring. In addition, METI will foster human resources who can take up the challenge of new business and create growth companies, while promoting the supply of funds from the private sector to venture companies.

○Promoting spin-offs and carve-outs (tax system/finance)

◆■Powerful promotion of bold, strategic business restructuring

Support will be provided through the taxation and financial assistance for companies engaging in bold business restructuring by such means as mergers/demergers.

○Tax system that promotes venture investment by companies

■Promotion of venture investment by private sector companies, etc.

In order to boost the supply of funds to venture companies expanding their business, tax measures focused on corporate investment will be implemented, targeting companies that have invested in venture companies through venture funds in which they provide management and technical guidance.

○Supporting business startups

●Project to support R&D oriented venture businesses on research and development: ¥3.0 billion (new)

The New Energy and Industrial Technology Development Organization will provide comprehensive support for everything from identifying new technologies lying dormant in universities and research institutes to building business models, and developing and commercializing technology. This project will aim for 30% of all projects supported to achieve practical application within three years of the support being ceased.

●Project focused on fostering business evaluation and support experts in order to create new businesses: ¥0.94 billion (new)

As well as dispatching 30 teams of first-class business evaluation and support experts to provide hands-on support for around 50 entrepreneurs with growth potential, efforts will be made to promote venture creation through application of examples of success to similar businesses. In addition, those experts will be dispatched to university lectures, in order to foster talents who could start up businesses.

●Project to support the promotion of local start-ups (mentioned later)

○Revising the personal guarantee system

★Formulating guidelines on proprietor guarantees

Regarding guarantees provided by proprietors themselves, a guideline will be formulated during this year, stipulating such matters as situations in which guarantees are not requested if

certain conditions are met, such as a clear separation between the business assets of the corporation and the proprietor's personal assets. Use of these guidelines will be promoted next year.

◆ Boosting Japan Finance Corporation funds to provide support for business reconstruction and business succession

Through cooperation with private sector financial institutions that are willing to provide exemptions for the guarantor requirement, efforts will be made to promote finance that is not dependent on personal guarantees, in order to facilitate business succession. (Exemption from higher interest rates imposed under the system of special measures regarding guarantors)

(4) Promoting science, technology and innovation

In recent years, Japanese manufacturing that had competitive edge is facing difficulty in competing with emerging countries. Japan “excels in technology but loses in business” and in some cases, Japan “loses in technology.” As well as intensive allocation of policy resources by the government in strategic R&D, METI will encourage the private sector to actively invest in R&D programs, accelerate development from closed innovation into open innovation and create a virtuous cycle of science, technology and innovation that leads to speedy practical applications/commercialization. In addition, an “open and closed” strategy that makes strategic use of patents, international standards, and trade secrets will be proactively utilized, with the aim of becoming “a country which continues to be competitive in technology as well as business.”

(i) Promoting R&D to solve social issues

In order to resolve key social issues on a national basis, METI will identify core technologies and promote R&D in strategic fields, looking at the entire course from basic research to exit (practical applications/commercialization). In addition, practical application of the outcomes will be carried out swiftly, leading to market acquisition.

○ Promoting the Strategic Market Creation Plan (mentioned later)

(ii) Promoting R&D by companies and commercialization of the outcomes by such measures as the tax system for R&D and support for practical application of its outcomes

METI will develop the environment required for investment in R&D by companies in order to provide further incentives for companies to invest in this area. This will include promoting open innovation that brings together industry, academia, and government, support for commercialization and practical application by companies, and encouraging effective use of the tax system for R&D.

○Revision of the tax system for R&D

■Promoting use of the tax system for R&D

Additional steps will be taken to increase corporate tax deductions, in order to recapture Japan's position as the world's top nation in terms of private sector R&D investment as a percentage of GDP within the next three years.

○Support for commercialization and practical application of the outcomes of company R&D

●Project to support R&D oriented venture businesses on research and development (mentioned above)

●Project to encourage the creation of collaborative projects involving SMEs and micro enterprises in the manufacturing (*monodzukuri*) sector (mentioned later)

(iii) Strengthening intellectual property & standardization strategies, and enhance certification systems (development of international standards in areas of strength, improving the patent examination system, etc.)

With the aim of achieving the fastest and highest-quality patent examination in the world, METI will actively promote an open and closed strategy to realize a global innovation cycle in which companies could create innovations, acquire rights as intellectual property, and use them effectively. Moreover, METI will strive to achieve the international standardization of Japan's world-leading technologies and products, through strategic promotion of the development of internationally-recognized certification systems and the export of systems to other countries.

○Development of international standards in areas of strength

●★Strategically development of international standards (mentioned later)

○Improve the patent examination system, etc.

★Improve the examination system by increasing the number of employing fixed-term examiners, etc.

With the aim of achieving the fastest and highest-quality patent examination in the world, METI will improve and strengthen the examination system by such measures as increasing the number of fixed-term examiners and increasing the number of permanent examiners.

●Support for SMEs and venture companies, etc.: ¥7.32 billion (¥5.56 billion)

The consultation service at the Comprehensive IP Support Counters will be strengthened. In addition, support activities for building regional brands, and assistance for SMEs to subsidize the cost of filing patent applications in other countries will be expanded.

●Support for global protection and acquisition of rights: ¥6.27 billion (¥4.06 billion)

Further analysis, evaluation, and provision of information about foreign technologies; and sending more patent examiners to emerging countries in Asia.

★ Revisions to the Patent Act and the Trademark Act

METI will consider the following developing provisions to make systems more user-friendly (enhancing relief measures in the event of disaster, etc.), developing provisions for Japan's future accession to Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs, expanding the scope of entities entitled to register regional collective trademarks, and adding non-traditional trademarks such as sounds that also should be given protection.

(5) Further strengthening Japan's international competitiveness as a business hub

In order for Japan to become a nation where it is easier for companies to develop business activities, METI will strive to strengthen Japan's international competitiveness as a business hub by eliminating energy and environmental constraints, as well as develop resilient industrial and energy supply chains by such measures as appropriate disaster prevention and crisis management.

○Promotion of the environment and energy policies (mentioned later)

○Strengthening risk response ability of industrial, energy infrastructure, as well as revising operational safety regulations

●Strengthening the risk response ability of industrial energy infrastructure: ¥23.15 billion (¥10.13 billion)

METI will strengthen capabilities of disaster prevention, risk management, and emergency response for industrial and energy infrastructure in order to prepare for a catastrophic disaster, such as an earthquake directly underneath the Tokyo Metropolitan Area or a Nankai Trough megaquake.

▲ Ensuring industrial safety

In the light of the Great East Japan Earthquake, METI will implement appropriate measures to ensure the earthquake resistance of industrial complexes in particular, including existing equipment. Efforts to ensure the safety of disused mines will also be steadily undertaken. In addition, METI will secure necessary human resources for the industrial safety policy, while seeking appropriate revisions of regulations relating to new technologies and new industries, including responses to social demands.

(6) Building an IT-based society

METI will organize a world-class data usage environment for effective use of open data and big data, with a view to creating new businesses based on the use of big data. Moreover, in order to construct a resilient and vigorous cyberspace appropriate to a world-leading IT society, cyber security measures, such as strengthening the security level of

critical infrastructures and promoting the international strategy, will be taken strongly on the basis of the Cyber Security Strategy (June 10, 2013, Information Security Policy Council).

○Promoting utilization of big data through establishing personal data handling guidelines, etc.

★Establishing personal data handling guideline

As well as formulating guidelines that take into account deliberations by the IT Strategic Headquarters concerning procedures with which companies should comply in using personal data, in order to protect privacy, METI will, establish a consultation desk to evaluate the appropriateness of company's procedures relevant to utilization of personal data in advance.

●Promoting the creation of new business through utilization of big data

¥23.4 billion (¥1.5 billion)

As well as supporting demonstration and research in fields thought to have potential for the creation of new business through the use of data (energy, etc.), METI will organize the infrastructure for processing large quantities of data by developing higher-efficiency data centers and encouraging use of cloud computing by companies.

○Promoting the world leading cyber security measures by taking such measures as developing IT security verification bases

●Project to build economic foundation of cyber security: ¥2.5 billion (new)

In order to block a knock-on effect of damages from cyber attacks on the economy and society, METI will provide hands-on support to the suffered firms and cultivate professional human resources through the Information-technology Promotion Agency, and will develop a collaborative response framework among specialized bodies in each country covering the majority of the world on a population basis.

● Project to establish bases of IT security evaluation and certification for critical infrastructures and to promote the security awareness raising, that contributes to the reconstruction and revitalization of Tohoku (mentioned above)<reconstruction>

(7) Innovation of small and medium-sized enterprises (SMEs) and micro enterprises (mentioned later)

(8) Revitalizing local enterprise clusters

Aiming at revitalizing Japan's regional economies, METI will strive to enable regional core firms to ascertain market needs and capture new demand, by providing support for identification and combination of technological seeds within regions and formulation of networks. Moreover, technology such as next-generation 3D printers will be developed for enabling local manufacturing companies with excellent technologies to apply

these to innovative new manufacturing technologies utilizing 3D modeling technology and develop them further.

○Creating new clusters centered on regional core firms

●Project to support the development of infrastructure for creating new industrial clusters: ¥1.0 billion (new)

Aiming at developing new industrial clusters with the world-leading competitiveness that can spark new industries and new business in Japan's regions, METI will strive to support such efforts as activities for forming networks led by regional core firms that bring together industry, academia, and government, and events for disseminating seeds and needs with a view to new product development.

○Support for the formulation of local strategies by the Council on Regional Industrial Competitiveness (provisional name)

▲METI will provide maximum support for the council consisting of the managers of companies in each regional block for in formulating a unique regional strategy, including specifying its own strategic industries, finding undeveloped resources in its region, and developing the industrial human resource required in the region.

○Strengthening manufacturing industry by developing next-generation 3D printers, etc.

●Program to achieve a manufacturing revolution centered on 3D modeling technology: ¥4.5 billion (new)

METI will strive to transform Japan's manufacturing industries to be high-value added ones by developing next-generation 3D printer technology and materials for industrial use, speeding up the printing process (a tenfold increase in the current speed), making it more precise (a fivefold increase in the current level), and achieving greater diversity in materials, as well as peripheral technology including infrastructure for evaluating internal and external 3D measurement.

●Project to revitalize regional economies by encouraging investment by global companies (mentioned later)

●Project to encourage the creation of collaborative projects involving SMEs and micro enterprises in the manufacturing sector (mentioned later)

Intensive allocation of resources in four strategic fields that are new frontiers for the Japanese economy

2. Strategic Market Creation Plan

The government will be united in implementing the Strategic Market Creation Plan, which involves the concentrated investment of all policy resources, including budgetary measures, tax systems, institutional reforms, and support in the arena of intellectual property, targeting four strategic fields that are new frontiers for the Japanese economy.

(1) Extending the nation's "healthy life expectancy"

Rather than focusing on longevity alone, METI will strive to create a society with healthy life expectancy (the world's highest healthy life expectancy), in which people can be self-reliant without falling ill and return to work easily after recovery from illness. A wide range of business and technological fields will be strategically cultivated, including (i) preventive care services; (ii) pharmaceuticals and medical devices & iPS cell research and practical application of its outcomes that will be advanced integrally under the headquarter of medical R&D of Japan; (iii) global expansion under cooperation with Medical Excellence JAPAN (MEJ); and (iv) development of nursing care robots

○ Preventive care services

● Project to promote the creation of industries that contribute to extending healthy life expectancy: ¥1.0 billion (new)

In order to create a preventive care market, extend healthy life expectancy, and achieve a reduction in medical expenses, steps will be taken to eliminate the institutional gray zone in collaboration between companies and medical institutions, and studies will be carried out to promote preventive care activities that bring together companies and insurers, with the goal of expanding relevant markets to ¥10 trillion (2020).

○ Pharmaceuticals and medical devices & iPS cell research and practical application of its outcomes that will be advanced integrally with the Japanese version of the NIH

● Project focused on developing key evaluation technologies, aiming at industrialization in the field of regenerative medicine: ¥2.5 billion (new)

With the goal of expanding the domestic regenerative medicine market to about ¥0.2 trillion by 2020, as well as developing technology such as culture mediums and devices for the mass cultivation of high-quality iPS cells, with a view to international standardization, METI will develop an evaluation methodology to ensure the inherent safety and effectiveness of regenerative medicine products from the viewpoint of reducing the examination period.

●R&D project focused on medical devices and systems for the future medical care: ¥4.3 billion (new)

METI will support the development of innovative medical devices using Japan's robot and endoscope technology, such as the development of more advanced surgical support robots and the development of advanced techniques for diagnosing dementia. This will contribute to the expansion of the market for medical devices to ¥3.2 trillion by 2020.

●Project to promote the commercialization of results made by medical-engineering collaboration: ¥4.55 billion (new)

METI will support the development and improvement of medical devices through medical-engineering collaboration, such as partnerships between medical institutions and SMEs with manufacturing technologies (100 cases are scheduled to be developed and commercialized by 2020). Coordination functions will be strengthened in order to build collaborative frameworks aimed at prompt practical application and business expansion.

●Project focused on developing key technology of discovering and manufacturing drug for next-generation treatment and diagnosis: ¥6.0 billion (new)

In order to achieve a 20% reduction (compared with 2005) in the age-adjusted cancer death rate (among those aged under 75) by 2015, METI will develop biomarker discovery techniques for minimally-invasive early diagnosis, in-silico screening techniques required for next-generation pharmaceutical development, and stable, low-cost manufacturing techniques.

○Global outreach

●Project to promote the international expansion of medical devices and services: ¥1.5 billion (¥1.01 billion)

While working in partnership with relevant ministries and agencies and MEJ, METI will conduct feasibility studies for promoting strategic international expansion that integrates medical devices and services in Japan's areas of strength as well as organize an environment that facilitates the acceptance of foreign patients. Establish around 10 Japanese medical centers by 2020.

○Nursing care robots

●Project to promote the development and introduction of robotic devices for nursing care: ¥3.0 billion (¥2.39 billion)

With the aim of creating a market worth around ¥260 billion in 2030, METI will support the development of nursing care robot that can be introduced in large numbers at low price in priority fields determined in partnership with the Ministry of Health, Labour and Welfare, such as lifting and mobility aids. At the same time, the requisite environment will be developed, including the formulation of the standards required for their introduction into front-line nursing care.

(2) Realizing clean and economical energy supply and demand (mentioned later)

(3) Building safe, convenient, economical next-generation infrastructure

METI will develop infrastructure inspection, diagnosis, and repair systems in order to create a society with safe, resilient infrastructure at low cost. Moreover, safe driving systems and self-driving systems will be developed with the aim of creating a society in which people and goods can move around safely and comfortably, and intelligent infrastructure will be developed that makes use of state-of-the-art technology, such as the development and use of space infrastructure.

○ Achieving safe and resilient infrastructure by establishing inspection, diagnostic and repair systems

● Project to develop systems for handling social issues such as infrastructure maintenance, management, and renewal: ¥4.1 billion (new)

In order to handle aging infrastructure that was built around 50 years ago, sensors that can ascertain the status of infrastructure, robots that can carry out inspections and repairs, and data analysis techniques for estimating the timing of repairs and refurbishments will be developed. Efforts will be made to use these in about 20% of all key infrastructure by around 2020.

● Project focused on R&D and verification of advanced next-generation driving support systems: ¥1.0 billion (new)

Sensing technology and vehicle control technology required for more advanced driving safety support systems that go beyond emergency avoidance will be developed, with the goal of reducing the number of deaths from traffic accidents to below 2,500 by 2018.

● R&D focused on downsizing technology for high resolution synthetic aperture radar: ¥3.32 billion (new)

Small satellites are increasingly being used in such areas as earth observation. With the aim of strengthening the international competitiveness of Japan's space industry and entering international satellite markets, support will be provided for R&D focused on high-performance small radar satellites, which will be able to be developed at low cost, within a short period.

(4) Building regional communities that use their unique local resources to appeal to the world

Every area in Japan has an abundance of attractive local resources, such as high-quality agricultural, forestry, and fisheries produce and tourism resources that appeal to people from across the globe. These have a value that could be described as the "Japan Brand." Utilizing such local resources, METI will capture consumers and companies from around the world and thereby establish local communities that can earn independently and

sustainably and grow in prosperity.

○Promoting business models based on global collaboration between agriculture, commerce, and industry

●Project to promote global collaboration between agriculture, commerce, and industry: ¥1.0 billion (new)

Support will be provided for several demonstration projects operated by consortia seeking to build production, processing, and distribution systems (plant factories and cold-chain systems, etc.) that make use of advanced technology and know-how from commerce and industry, as well as building brands in overseas markets, with the objective of promoting exports of agricultural, forestry, and fisheries produce, and food.

●R&D project focused on basic fine bubble technology: ¥0.5 billion (new)

Fine bubble (ultrafine bubbles with a size in the micro to nano range) technology is expected to have a wide range of applications in areas including industry and agriculture. Efforts will be made to achieve integrated promotion of research into the principles, the cultivation of applications, and international standardization of this field, and basic technology will be established.

○Regional revitalization utilizing local resources

●Project to support micro enterprises in creating Japan Brand products and utilizing local industrial resources (mentioned later)

○Strengthening manufacturing industry by developing next-generation 3D printers (mentioned above)

Using the Emerging countries Strategy (3 types × 3 fields) to capture growth markets worldwide and attracting human talent, goods, and funds to Japan

3. Strategy of Global Outreach

In order to develop a network of strategic economic partnerships and capture worldwide growth markets, METI will classify emerging countries into three regions and implement strategic policies tailored to the situation in each region. In addition, METI will strive to promote the export of infrastructure systems and the Cool Japan initiative, as joint initiatives by the public and private sectors, as well as to develop schemes for attracting inward direct investment from global companies.

(1) Building strategic trade relations and promoting economic partnership

METI will raise the FTA ratio from the current 19% to 70% by 2018, by promoting economic partnership as a basis of global economic activities. Therefore, METI will draw up new rules in Asia-Pacific region by working positively on the Trans-Pacific Partnership (TPP) negotiations and use these rules as a basis for the discussion of rulemaking for the Free Trade Area of the Asia-Pacific (FTAAP), a larger plan which lies ahead, along with wide-ranging economic cooperation such as the Regional Comprehensive Economic Partnership (RCEP) and the Japan-China-ROK FTA. In addition to the initiatives above, METI will simultaneously work on the Japan-EU EPA, etc. and will make a contribution as an important player to promote rulemaking for global trade and investment by stimulating and activating each economic partnership.

METI will actively foster the liberalization and facilitation of trade and investment through multilateral and regional frameworks such as the WTO and the APEC.

○ Promotion of TPP, RCEP, Japan-China-ROK FTA and Japan-EU EPA, etc.

○ Swift conclusion of the ITA (WTO Information Technology Agreement) expansion negotiations and more effective use of the WTO dispute settlement mechanism

▲ With regard to the ITA, a plurilateral agreement to eliminate tariffs on IT-related products which covers 77 countries and regions (including Japan, the U.S., the EU, and China), negotiations on expanding the product coverage should be swiftly concluded with a commercially significant outcome.

(2) Strategic promotion of the Emerging Countries Strategy (3 types × 3 fields)

The situation in emerging countries differs between each country and region, including such factors as the level of economic development, the degree to which Japanese

companies have expanded there, and the competitive environment with other countries. Accordingly, after gaining an understanding of the situation in each emerging country based on more detailed and individualized analyses, METI will help and promote Japanese companies to capture market shares in emerging countries and develop business activities there by strategically enhancing sales pitches by senior government officials.

As a result, METI will aim to double the “export amount and overseas subsidiaries’ sales” in “China and the ASEAN region” and “Southwest Asia, the Middle East, Russia and the CIS, and Latin America,” respectively, over the decade by 2020, while endeavoring to triple that figure for Africa over the same period.

○Promotion of the Emerging Countries Strategy

●Project to capture markets in emerging countries: ¥2.0 billion (new)

Policy resources will be allocated strategically and intensively, tailored to the situation in counterpart markets and the needs of Japanese companies. An environment will be developed to facilitate the overseas expansion of Japanese companies, by supporting the development of systems in counterpart countries through policy dialogue and the demonstration of technology, as well as expanding commercial opportunities by the dispatching and hosting of missions and the holding of forums for business dialogues, and implementing safety measures.

●Expanding the export of infrastructure systems: ¥40.06 billion (¥31.46 billion)

METI will provide comprehensive support, from support for the development of hubs for overseas expansion by formulating master plans, to business feasibility studies, demonstrations, and human resource development. In order to achieve a goal of receiving orders of infrastructure systems worth about ¥30 trillion by 2020, by capturing the immense demand in emerging countries through encouraging Japanese companies to gain orders.

●Human resource development for organizing infrastructure systems and winning orders for infrastructure system projects: ¥3.3 billion (¥2.99 billion)

In order to promote overseas expansion and the export of infrastructure systems by Japanese companies, training focused on Japanese systems and the operation, maintenance, and management of infrastructure systems will be provided to around 1,500 local personnel, while overseas internships will be implemented for young Japanese personnel (around 200).

●Promoting overseas expansion of the content industry: ¥1.0 billion (0.79 billion)

Support for overseas expansion focused on content will be strengthened, with a particular focus on support through organizations such as the Secretariat of the Project for Localization & Promotion of Japanese Visual Media (J-LOP). A one-stop service will be provided (goal for the early part of FY2014), covering such matters as the building and operation of a database of information about infringements and rights holders, in order to facilitate the fundamental strengthening of measures against IP piracy.

◆ Supporting overseas expansion by companies (Cool Japan) ¥30.0 billion (¥50.0 billion)

Utilizing the Cool Japan Fund, the public and private sectors will jointly develop business overseas, in order to bring to fruition the “attractions of Japan” (including *monodzukuri* (manufacturing), fashion, design, traditional crafts, and food) in the cultivation of industries and the assimilation of overseas demand.

●★ Strategically development of international standards: ¥6.44 billion (¥1.65 billion)

The strategy for international standardization will be strengthened, including the promotion of the top standard system and the development of a world’s best certification system. In particular, high-performance JIS standards that incorporate into each classification higher-level performance and attributes than conventional standards will be developed and used in Japan’s fields of strength, such as high-performance materials.

● Securing resources and energy (mentioned later)

★ Enhancing public finance

In addition to expanding coverage for overseas business risks arising from such factors as terrorism and war, consideration will be given to revising the Trade and Investment Insurance Act, in order to expand the insurance coverage to the risk of policy changes in a country where an overseas resource project is being undertaken, and trade and investment risks arising from the overseas subsidiaries of Japanese companies.

◆ Support for overseas expansion by companies aiming to become leading global niche companies: ¥15.0 billion (new)

The Shoko Chukin Bank will intensively provide long-term finance at flexible interest rates as well as and finance for capital investment required by those companies to succeed in global niche markets.

○ Strengthening the functions of JETRO (full support for overseas expansion)

● Project to dispatch experts in support for expansion into emerging countries to SMEs and micro enterprises: ¥0.5 billion (new)

Elderly former company employees with experience and know-how concerning business in emerging countries will be dispatched to around 200 SMEs and micro enterprises that are seeking to expand into emerging countries where business risks are high.

● Project to support the overseas expansion strategies of SMEs and micro enterprises (mentioned later)

Reference The 3 types × 3 fields in the Emerging countries Strategy

<Three types of market>

1) China & ASEAN

Markets that Japan must not lose and must not lose out to. Accordingly, greater depth will be encouraged by such measures as making the supply chains of Japanese companies overseas more advanced, while the expansion of even more wide-ranging industries will be promoted amid growth in consumer markets. In this endeavor, the keyword will be “full expansion.”

2) Southwest Asia, Middle East, Russia, CIS, Latin America

These are major growth markets, but Japanese companies are relatively slow in expanding into them, due to geographic and cultural factors, so these are also markets that we must aim to turn around, in this sense. In strategic terms, the aim will be to win critical mass, with an intensive focus on a limited number of fields.

3) African countries

Here, there are many resource-rich countries and there are high hopes that markets will grow substantially, but Japanese companies have not expanded here, so the focus will be on steadily creating examples of success, starting from the very first one.

<Three priority fields>

1) Supporting overseas expansion by companies (Cool Japan, SMEs)

Making utilization of the Cool Japan Fund and other bodies, the public and private sectors will jointly develop business overseas, in order to bring to fruition the “attractions of Japan” (including *monozukuri* (manufacturing) based on the rich culture of daily life in Japan, fashion, design, traditional crafts, cuisine, and content) in the cultivation of industries and the assimilation of overseas demand.

Furthermore, in order to disseminate the charm of Japanese industry, including the food-related industry, steady progress will be made with initiatives focused on Japan pavilion at the Expo Milano 2015, in which emerging and other countries worldwide will participate.

As well as supplementing a lack of know-how by dispatching elderly former company employees to SMEs and micro enterprises seeking to expand into emerging countries, organic partnerships will be promoted among organizations that support overseas expansion, while help desks concerning local laws, labor issues, and intellectual property (SME Overseas Expansion Platforms) will be enhanced.

2) Exporting infrastructure systems

Worldwide infrastructure demand is in excess of US\$1 trillion each year and is mostly concentrated in Asia. In fields such as electric power (thermal and geothermal power generation, etc.), smart communities, water, and transport, where Japan has the world’s best technology and operational know-how, integrated infrastructure systems that incorporate everything from design and construction to operation, maintenance, and management will be

marketed.

3) Securing natural resources

With a view to securing energy and mineral resources, cooperative relationships with resource-rich countries will be strengthened in the arena of technical cooperation, as well as a wide range of other fields. Moreover, the strengthening of collaboration with other consumer countries will be sought, in order to increase bargaining power.

(3) Activating inward direct investment

The expansion of inward direct investment will contribute to improving productivity and creating employment in Japan, through inflows of management resources such as related know-how and techniques, as well as human resources. Accordingly, while making use of Japan's strengths, such as its R&D environment, METI will attract global companies to Japan by such measures as facilitating the use of incentives for foreign companies, as well as sales pitches by senior government officials.

In conjunction with this, as well as fundamentally strengthening systems for attracting foreign companies, such as bolstering the industry specialist functions of JETRO, METI will build a comprehensive support system to handle all inquiries from foreign corporations about investing in Japan and requests concerning regulatory reforms, responding to each query individually.

The following measures will be implemented, with the goal of doubling the inward direct investment stock to ¥35 trillion by 2020.

○ Revitalizing regions by attracting global companies

● Project to revitalize regional economies by attracting global companies: ¥2.0 billion (new)

In order to promote inflows of management resources and revitalize regional economies by attracting investments from both within Japan and overseas and encouraging the formation of regional industry clusters, support will be provided for the establishment of bases and the development of facilities by global companies, which could have a significant impact in terms of reviving Japan's status as an Asian business center.

○ Facilitating the use of subsidies by foreign companies

★ Making it easier for foreign companies to use Japan's support measures

Revisions will be made to enable foreign companies to apply for publicly offered subsidies before establishing a subsidiary in Japan, in order to attract promising foreign companies to Japan.

○ Strengthening JETRO's attraction and support system (strengthening industry specialist functions and comprehensive support systems)

● Project to organize a system for encouraging inward direct investment ¥2.25 billion (new)

Around 60 industry specialists with knowledge, know-how, and networks of connections in each industry will be deployed within Japan and overseas to identify and appeal to promising foreign companies, with the aim of expanding inward direct investment, which will contribute to improving productivity and creating employment.

★Development of a comprehensive support system for foreign companies by JETRO

JETRO will handle all inquiries regarding such matters as the administrative systems and procedures required when investing in Japan, as well as requests for regulatory reforms. It will respond to these individually, working in collaboration with relevant ministries and agencies. In conjunction with this, support for translation and applications will be provided in relation to subsidies and other support measures.

- Proactive sales pitches by senior government officials

III. Promotion of Environment and Energy Policies

Amid drastic changes in the situation surrounding energy worldwide, including the Great East Japan Earthquake and the growth in global energy demand, Japan faces new energy constraints and rising energy costs. Accordingly, METI will aim to become the world's most advanced country in terms of energy, with diverse supply systems and smart consumption behavior. This will be achieved via the diversification of energy sources; stable, cheap production (procurement); optimal, efficient, and resilient energy distribution; and smart consumption. Moreover, with regard to global warming countermeasures, as well as a zero-based review of the 25% reduction target for greenhouse gas emissions, "Proactive diplomatic Strategy on Global Warming" will be formulated, in order to enable Japan's outstanding energy and environmental technology to be used to make a worldwide contribution.

(1) Formulation of the Basic Energy Plan

As Japan is facing new energy constraints following the Great East Japan Earthquake, fundamental reforms are required throughout energy policy, covering everything from production (procurement) to distribution and consumption. Accordingly, given that three years have passed since the formulation of the last Basic Energy Plan, METI will deliberate a new Basic Energy Plan focused on achieving a stable supply and cost reductions, with the goal of compiling an updated plan within the year, thereby clarifying the base and direction of medium- to long-term policy.

- Formulation of the Basic Energy Plan

(2) Energy production (procurement)

METI will strive to introduce renewable energy to the maximum extent possible, develop and introduce world-class high-efficiency thermal power generation (coal and LNG), develop various energy sources, and secure diversified suppliers in order to avoid over-dependence on the Middle East.

- Introducing renewable energy to the maximum extent possible
- ★ Steady, stable operation of the feed-in tariff system
- Strengthening electricity grid infrastructure: ¥46.24 billion (¥35.7 billion)

The upgrading of electricity grid and demonstration of relevant technologies will continue to be promoted, as will the development and demonstration of large storage batteries, with a view to strengthening electricity systems, which are an obstacle to the mass introduction

of renewable energy. In addition, new efforts will focus on development and demonstration using advanced technology such as next-generation electricity distribution equipment.

● Upgrading infrastructure aimed at maximizing the introduction of renewable energy: ¥35.58 billion (¥21.64 billion)

Infrastructure for introducing renewable energy will be upgraded, such as demonstration projects aimed at clarifying and resolving issues that might arise if the environmental impact assessments conducted as part of the environmental assessment procedure were brought forward and conducted in parallel with other procedures, with a view to streamlining environmental assessments for the construction of wind and geothermal power generation facilities.

● Promoting technology development and demonstrations aimed at accelerating the introduction of renewable energy: ¥85.43 billion (¥44.72 billion)

As well as promoting R&D that contributes to substantial reductions in the cost of renewable energy, such as large-scale offshore wind power and high-performance solar cells, the development of technology aimed at encouraging the introduction of geothermal power generation and facilitating the practical application of ocean energy as soon as possible will be promoted.

○ Using nuclear power generation once safety has been confirmed

▲ Matters concerning the safety of nuclear power stations will be strictly examined from a technical perspective by the Nuclear Regulation Authority (NRA), so if the NRA deems a nuclear power station to be safe, METI will respect its judgment and move forward with the restart of that nuclear power station.

○ Building safe nuclear power infrastructure and international initiatives in this field

● Further improving the safety of nuclear power stations: ¥24.42 billion (¥17.44 billion)

As well as promoting technology development aimed at making safety measures more sophisticated, human resource development to enhance nuclear safety, R&D focused on the disposal of radioactive waste, international initiatives will be promoted, including the development of technology that will contribute to reducing the volume of radioactive waste and reducing its level of toxicity.

○ Developing and introducing world-class high-efficiency thermal power generation

● Accelerating the development of the technology required for high-efficiency coal-fired power generation: ¥14.67 billion (¥13.04 billion)

Efforts will be made to accelerate the development of technology such as advanced ultra supercritical pressure steam power generation (A-USC), integrated coal gasification fuel cell combined cycle power generation (IGFC), and high-efficiency gas turbines.

★ Introduction of high-efficiency thermal power generation (coal/LNG)

In accordance with agreements reached with the Ministry of the Environment to clarify

and streamline environmental assessments, the introduction of high-efficiency thermal power generation (coal/LNG) will be undertaken with consideration for the environment.

●The practical application of Carbon dioxide Capture and Storage (CCS): ¥12.36 billion (¥12.59 billion)

To establish CCS technology by around 2020, METI has been accelerating R&D focused on the CO₂ capture and safety evaluations. METI also conduct CCS demonstration projects targeting large-scale sources of CO₂. Moreover, exploration for specific CCS site will be started since next year.

○ Securing a stable, competitive supply of resources and energy, including acquiring competitive LNG and promoting the development of domestic resources

●Promoting efforts to secure oil, natural gas, coal, and mineral resource interests: ¥94.51 billion (¥73.67 billion)

As well as proactively pursuing resource diplomacy, substantial efforts will be made to promote participation in upstream development, such as the acquisition of rights by Japanese companies, by strengthening the supply of risk capital through JOGMEC, with the goal of diversifying supply sources, focusing on areas including Russia and Africa.

▲Promoting international energy cooperation aimed at securing competitive LNG

As well as promoting international partnerships aimed at ensuring energy security, such as reinforcing emergency responses, efforts will be made to lead international discussions regarding securing a stable, competitive supply of LNG, by such measures as holding the LNG Producer-Consumer Conference and strengthening cooperation with other LNG consumer countries.

●Promoting development of methane hydrate and other domestic resources: ¥28.21 billion (¥25.92 billion)

In light of the Basic Plan on Ocean Policy (approved by the Cabinet on April 26, 2013), initiatives aimed at developing technology for the commercialization of methane hydrate and marine mineral resources will be accelerated.

(3) Energy distribution

In accordance with the Policy on Electricity System Reform (approved by the Cabinet on April 2, 2013), METI will surely carry forward electricity system reform that fundamentally reviews the system of regional electricity monopolies that has been in place for more than 60 years, with bold reforms being implemented that do not merely target energy distribution, but also cut across fields such as production (procurement) and consumption. Moreover, gas system reforms will be considered, with a view to the future prospects for gas use. A stringent review of electricity and gas rates will be conducted.

Furthermore, in light of such risks as a Nankai Trough megaquake or other catastrophic disaster, or changes in the oil supply and demand environment within Japan or overseas, a resilient energy supply system will be constructed.

○ Bold implementation of electricity system reform

★ Revision of the Electricity Business Act

Efforts will be made to ensure the prompt formulation of the reform bill, to include the creation of the Organization for Nationwide Coordination of Transmission Operators, as well as stipulating the program for the phased implementation of electricity system reform. Moreover, deliberations will be carried out, with the aim of submitting the reform bill for fully liberalizing entry into the retail electricity sector during the next ordinary session of the Diet.

○ Considering gas system reforms

★ Deliberations concerning the vision for the future of the gas industry and relevant systems

With a view to the future prospects for gas use, including gas co-generation and fuel cell vehicles, deliberations will be carried out regarding approaches to the gas industry and systems that will contribute to increasing the options for consumers and stimulating competition in both the wholesale and retail markets for gas.

○ Stringent review of electricity and gas rates

★ Stringent review of applications to raise electricity and gas rates

Regarding electricity rates, applications will be stringently reviewed based on results of neutral, objective deliberations made by the Expert Committee on Reviewing Electricity Rates. Regarding gas rates as well, review criteria will be clarified and information disclosure augmented, taking into account the revision of the electricity rate system and its operation.

○ Building a resilient energy supply system

● Strengthening risk response ability of industrial, energy infrastructure, as well as revising operational safety regulations

● Building a resilient oil and LP gas supply chain: ¥203.45 billion (¥176.18 billion)

A resilient oil and LP gas supply chain will be constructed, by means of initiatives focused on strengthening the ability to deal with disaster and contingency risks throughout the distribution network, including oil refineries and service stations, as well as providing support for facility optimization and the strengthening of the management base at refineries and service stations, in response to changes in such factors as the supply and demand environment within Japan and overseas.

(4) Energy consumption

METI will pursue strengthening industrial competitiveness and energy conservation through the introduction of advanced equipment and energy conserving facilities at factories.

Moreover, energy conservation in the consumer sector will be reinforced through such initiatives as the Top Runner system. Furthermore, METI will disseminate efficient energy management systems, such as the Demand Response scheme, through which consumers vary their electricity demand in response to the supply situation.

○Strengthening industrial competitiveness and promoting energy conservation

●Extensively accelerating investment in energy conservation and measures to deal with demand peaks in the industrial sector: ¥81.39 billion (¥37.64 billion)

Measures to support investment in advanced energy conserving equipment and processes will be expanded substantially, including the use of energy management and other measures to suppress peak electricity demand, in order to encourage investment in energy conservation at factories and other facilities. Powerful backing will be provided through regional financial institutions for investment in energy conservation by SMEs in Japan's local regions.

●Promoting technology development and demonstration to facilitate energy conservation: ¥73.03 billion (¥45.64 billion)

Efforts will be made to promote the development and commercialization of innovative technologies, with a focus on next-generation devices, components, and materials, such as power electronics, ultra-low power consumption devices, and ultra-light, super-strong structural materials, which are used in a range of products and have a substantial ripple effect.

○Enhancing energy conservation in houses and buildings

★Strengthening energy conservation through the revised Energy Conservation Act

Through the entry into force of the revised Energy Conservation Act, which was enacted in May 2013, energy conservation in the consumer sector (introduction of the Top Runner Program for building materials, etc.) and measures on the demand side during peak demand will be promoted.

●Strengthening energy conservation measures in the household and office sectors: ¥38.31 billion (¥11.0 billion)

The popularization of ZEH (net-zero energy houses) and the realization of ZEB (net-zero energy buildings) will be promoted. Efforts will be made to support the introduction and increase the prevalence of products that form the core of energy conservation endeavors and measures to deal with peak electricity demand in homes and offices, such as storage batteries.

●■Strengthening energy conservation measures in the transport sector: ¥36.07 billion (¥32.5 billion)

A review of vehicle taxation will be carried out and financial aid provided for the introduction of clean energy vehicles, in order to popularize motor vehicles with outstanding environmental performance.

○Expanding the use of fuel cells

● Accelerated introduction of fuel cells ahead of the rest of the world: ¥39.71 billion (¥11.76 billion)

As well as promoting the development of advanced technologies, support for the introduction of residential fuel cells and the establishment of a self-sustaining market for these will be promoted. Moreover, in preparation for the release of fuel cell vehicles onto the market in 2015, the requisite regulations will be revised and the introduction of hydrogen refueling stations will be promoted.

○ Popularization of efficient energy management systems (establishment of the new energy management business)

● Establishment of the new energy management business through the utilization of big data and demonstration of negawatt transactions: ¥24.57 billion (¥11.05 billion)

Efforts will be made to early establishment of the energy management business as a new business, through the demonstration of business models that make utilization of data, a kind of big data, obtained through HEMS (Home Energy Management Systems) and smart meters, as well as negawatt transactions in which the amount supplied in the transaction is the amount by which consumers have reduced their demand.

● Promoting the development of smart condominiums: ¥8.3 billion (new)

The introduction of MEMS (Mansion (condominium) Energy Management Systems) will be promoted through financial aids for smart condominiums in which such systems are installed, with energy management business operators (MEMS aggregators) conducting energy management for groups of condominium units.

(5) Global warming countermeasures

As well as conducting a zero-based review of the 25% reduction target for greenhouse gas emissions, METI will formulate “Proactive diplomatic Strategy on Global Warming” with the aim of contributing to the world by fully utilizing Japanese advanced technologies..

○ Zero-based review of the 25% reduction target for greenhouse gas emissions

○ Formulation of **“Proactive diplomatic Strategy on Global Warming”**

● Strategic R&D focused on innovative technology: ¥168.67 billion (¥100.07 billion)

In light of the New Low Carbon Technology Plan, strategic R&D focused on innovative technologies will be promoted. From a medium- to long-term viewpoint, as well as strengthening efforts to identify seeds, pioneering, high-risk but high-impact R&D will be promoted.

● Making a global contribution through Japan’s outstanding low-carbon technology: ¥8.7 billion (¥4.1 billion)

Japan's global contribution will be made through diffusion of Japan's leading low-carbon technologies and products globally, which will be realized through introduction of the Joint Crediting Mechanism, as well as through multilateral cooperation within the MEF (Major Economies Forum on Energy and Climate) and other forums.

▲ Domestic measures against warming that are compatible with economic growth

Measures against global warming will be promoted through further energy conservation measures, and efforts to encourage the introduction of renewable energy.

IV. Innovation of small and medium-sized enterprises (SMEs) and micro enterprises

METI will ensure that the business start-up rate exceeds the business closure rate and business start-up and closure rate rises to 10% range on par with the U.S. and the UK by encouraging the renovation of industries. METI also supports SMEs to expand into growth sectors, aiming at increasing the number of profit-making SMEs from 0.7 million to 1.4 million by 2020. Realization of overseas expansion of another 10,000 companies will be pursued, through augmenting the scheme of SME Overseas Expansion Platforms.

In addition, METI will formulate measures focused on micro enterprises and provide finely-tuned support, appropriate to each development stage in the growth of the business.

(1) Achieving a start-up rate of 10%

METI will identify potential start-ups and provide support to enable business ventures to get through the start-up period, covering everything from the actual founding of the company, through to the point where it begins to record a profit.

Moreover, in relation to city centers, which play a vital role in regional economies, sustainable urban development will be promoted, in response to the aging of the population and declining birthrate.

○ Providing integrated support, from identifying potential start-ups and drawing up a business plan to after-care following start-ups

○ Promoting start-ups and strengthening funding support in Japan's regions

● Project to support the promotion of local start-ups: ¥2.0 billion (new)

With the aim of enabling at least 5,000 new companies to be founded each year, comprehensive support covering from the acquisition of basic knowledge to the formulation of business plans will be provided in 300 locations nationwide for those wishing to start up a business, with a particular focus on women and young people. Moreover, new support schemes will be established with the involvement of municipalities, to encourage entrepreneurship.

● Project to provide comprehensive one-stop support for SMEs and micro enterprises (mentioned later)

●◆ Project to provide loans and guarantees to strengthen the business capabilities of SMEs and micro enterprises: ¥1.49 billion (new)

The business capabilities of SMEs and micro enterprises will be strengthened through such measures as formulating low-interest loans (0.4 percentage points deducted from benchmark interest rate) for startups and efforts to diversify business, on condition that support

is obtained from a certified support service provider. Furthermore, the interest rate for startups by women, young people, and senior citizens will be reduced (0.65 percentage points deducted from the benchmark interest rates).

◆New startup financing system

With regard to the system of loans (unsecured, low-interest, with no need for a guarantor) for businesses that are less than two years old, the limit on the amount loaned will be increased (from ¥15 million to ¥30 million), while the grace period will be extended from six months to one year (for working capital) and two years (for equipment).

◆Funding to support those trying business again

With regard to the system of loans for entrepreneurs who are trying again, the limit on the amount loaned will be increased (from ¥20 million to ¥72 million), while the interest rate for women, young people, and senior citizens will be reduced (0.4 percentage points deducted from benchmark interest rate: -0.4%).

○Revitalizing shopping districts and city centers

●Project to promote self-reliance in regional retail businesses: ¥6.0 billion (new)

Support will be provided to develop incubation facilities and attract stores to vacant premises, thereby promoting the regeneration of shopping districts. In addition, support will be provided for “door-to-door order-taking” services provided by delivery companies and for the upgrading of childrearing support facilities, with the aim of shaping communities that form the basis for local consumption activities.

●◆■★Project to vitalize city centers: ¥3.0 billion (new)

As well as promoting sustainable urban development tailored to a society with an aging population and a declining birthrate, intensive support focused on city centers that can drive regional economies will be considered after careful selection of target areas. Besides deliberating the revision of the Act on Vitalization in City Centers, support will be provided for such initiatives as the enhancement of commercial functions tailored to diverse needs.

○Providing support for “second-generation company founding” resulting from business succession

●Strengthening systems to support the rehabilitation of SMEs: Included in ¥4.8 billion (included in ¥4.34 billion)

As well as increasing (to 24 nationwide) the number of Business Transfer Support Centers, which offer a one-stop service that includes appropriate advice on solving problems, providing information, and support for business matchmaking, support for business succession within families will be bolstered.

(2) Doubling the number of companies in the black

METI will support R&D activities of SMEs and micro enterprises in order to enable them to participate in growth fields such as the environment and energy, health and medical care and aerospace, while promoting partnerships between companies, such as collaboration between agriculture, commerce, and industry, with a view to achieving improvements of productivity. Moreover, METI will strategically promote overseas expansion of SMEs and micro enterprises by enhancing and strengthening hands-on, comprehensive support systems.

○ Providing integrated support covering everything from R&D to cultivating marketing channels when universities, etc. work in partnership with SMEs and micro enterprises in seeking to enter strategic markets

● Project to encourage the creation of collaborative projects involving SMEs and micro enterprises in the manufacturing sector: ¥12.6 billion (new)

The specified core manufacturing technologies prescribed in the Small and Medium Sized Enterprise Manufacturing Enhancement Act will be completely revised, and new support will be provided for R&D aimed at developing businesses tailored to such growth fields as the environment and energy, and medical care, in order to create a large number of global niche top companies.

○ Supporting productivity improvements among SMEs and micro enterprises

● Project to support efforts to encourage collaboration among SMEs and micro enterprises
¥2.3 billion (new)

In accordance with the Agriculture and Business Collaboration Promotion Act, support will be provided for new product development and the cultivation of markets undertaken on the basis of partnerships between SMEs and micro enterprises, etc. (around 230 cases; in particular, focusing on the service sector). Furthermore, support will be provided for the acquisition of licenses and approvals that form barriers to entry when expanding into growth fields such as medical care.

■ Tax system to encourage SME investment

Efforts will be made to strengthen incentives to invest in software and equipment with built-in software, in order to improve productivity through the utilization of IT.

◆ Funding to encourage the utilization of IT

Policy interest rate will be reduced (0.65 percentage points to 0.9 percentage points deducted from the benchmark interest rate) for funding for equipment to promote greater efficiency in the core operations of companies, such as the use of computers in production lines, in order to encourage productivity improvements through the utilization of IT.

○ Achieving 10,000 new companies expanding overseas through **SME Overseas Expansion Platforms** program

● Project to strategically support the overseas expansion and training of SMEs and micro

enterprises: ¥3.1 billion (new)

JETRO and the Organization for Small & Medium Enterprises and Regional Innovation, Japan will collaborate in providing support for cultivating overseas markets, by such measures as conducting feasibility studies concerning overseas expansion and establishing temporary showrooms overseas. Moreover, SME Overseas Expansion Platforms will be established in another five locations, providing on the ground support regarding such matters as legal affairs and labor issues.

●Project to dispatch experts in support for expansion into emerging countries to SMEs and micro enterprises (mentioned above)

(3) Deploying measures focused on micro enterprises

Drawing out the dynamism of the 3.66 million micro enterprises nationwide is essential to the revitalization of the Japanese economy. Therefore, METI will deliberate establishment of a basic act to promote micro enterprises, as well as provide finely-tuned support, tailored to each development phase in the growth of micro enterprises.

○As well as deliberations aimed at the enactment of a basic act to promote micro enterprises, a new division called the Micro Enterprise Support Division (tentative name) will be established in the Small and Medium Enterprise Agency.

○Support tailored to each development phase in business growth

●Project to provide comprehensive one-stop support for SMEs and micro enterprises: ¥7.72 billion (new)

As well as developing comprehensive support hubs in 47 locations nationwide, providing a one-stop consultation service for micro enterprises, etc., with certified support service providers serving as network coordinators, a system will be built to enable management-related queries to be submitted via the “Mirasapo” Support Portal Site.

○Supporting micro enterprises aiming to achieve stable business continuity

●◆Managerial Improvement Loan (MARUKEI Loans) program for micro enterprises: ¥4.0 billion (¥3.6 billion)

The upper limit for Managerial Improvement Loans (unsecured, low-interest loans without the need for a guarantor; total scale of the program: ¥250 billion) offered by the Japan Finance Corporation to micro enterprises receiving guidance from a business advisor from a body such as a commercial or industrial association will be increased from ¥15 million to ¥20 million.

●Program to foster human resources of micro enterprises and micro enterprises support experts: ¥1.5 billion (new)

Support will be provided for the following: (i) fostering core human resources at micro

enterprises, etc. (in the manufacturing and service sectors); (ii) forming consortia to promote human resource development jointly, as well as human resource development by shopping districts, focused on the next generation; (iii) strengthening the ability of business advisors to provide support tailored to their areas of expertise; and (iv) fostering human resources for experts who can provide guidance to subcontractors.

■ Tax measures to promote micro enterprises

The requisite tax measures will be implemented regarding sole proprietors, who account for 60% of all micro enterprises.

○ Support for new endeavors by micro enterprises

●★ Project to support micro enterprises in developing Japan Brands and making utilization of local industrial resources: ¥2.9 billion (new)

Including the revision of the SME Local Resource Act, support will be provided for initiatives that will facilitate regional revitalization, such as those focused on “B-class Gourmet” (tasty, yet inexpensive cuisine) and traditional crafts. In addition, support will be provided for the establishment of internationally-recognized brand power through regional revitalization initiatives by micro enterprises, etc. that make use of tourism resources, and exhibitions arranged on the basis of partnerships between production areas (about 30 exhibitions).

● Project to revitalize micro enterprises: ¥3.4 billion (¥3.0 billion)

Certified support service providers will be used to provide support for the compilation of business development plans by micro enterprises (around 1,000 cases of assistance), as well as for the development of new products and services, and sales and service provision methods based on those plans (around 1,500 cases of assistance).

(4) Measures for proper transfer of consumption tax and support for business rehabilitation, etc.

Anticipating business environments in relation to the increase in the rate of consumption tax, METI will strive to stabilize the management of SMEs and micro enterprises.

○ Measures for proper transfer of consumption tax

● Thorough monitoring and examination of the status of transferring consumption tax: ¥4.66 billion (¥1.98 billion)

As they are in a weaker position in transactions, if SMEs and micro enterprises are subject to breaches of the law, such as refusal by clients to pay the burden related to the consumption tax rate hike, they find it difficult to disclose the situation themselves. Accordingly, complete document-based studies will be carried out, with 474 people actively gathering information and conducting investigations.

○Support and financial assistance for business rehabilitation endeavors by SMEs and micro enterprises

●Strengthening systems to support the rehabilitation of SMEs: included in ¥4.8 billion (included in ¥4.34 billion)

The systems that SME business rehabilitation support cooperatives in each prefecture have put in place to support SMEs and micro enterprises will be strengthened by enhancing the functions of the National Headquarters of SME Business Rehabilitation Support Cooperatives.

◆Finely-tuned financing support: ¥23.29 billion (¥22.95 billion)

Support will be provided for financing for SMEs and micro enterprises through public-based finance and credit enhancement.

Outline of Requests under the Priority Framework for a New Japan

Total: ¥221.6 billion

*Indicates the Special Account for Energy Measures

1. Industry Revitalization Plan

(1) Stimulating private sector investment

- Subsidies for supporting business operators strive to rationalize their energy use (¥39.0 billion)*
- Project to promote the introduction of stationary lithium-ion storage batteries (¥5.0 billion)*
- Subsidies to support the introduction of residential fuel cells (¥22.4 billion)*

(2) Supporting business restructuring and start-ups

- Project to support ventures focused on R&D (¥3.0 billion)
- Project focused on fostering business evaluation and support personnel in order to create new businesses (¥0.94 billion)
- Project to create support services to utilize diverse human resources (¥0.4 billion)

(3) Further strengthening Japan's international competitiveness as a business hub

- Project to subsidize the cost of construction work to prevent mining pollution in areas in which there are clusters of disused mines (¥0.4 billion)

(4) Building an IT-based society

- Project to build economic infrastructure with cyber security (¥2.5 billion)
- Project to develop an IT integration system (¥0.5 billion)
- Project for demonstration of next-generation energy management business models (¥9.3 billion)*

2. Strategic Market Creation Plan

(1) Healthy life expectancy

- Project to promote the development and introduction of nursing care robots (¥3.0 billion)
- Project to promote the commercialization of results made by medical-engineering collaboration (¥1.5 billion)
- Project to promote the internationalization of medical devices and services (¥1.5 billion)
- Project to promote the creation of industries that contribute to extending healthy life expectancy (¥1.0 billion)

(2) Next-generation infrastructure

- Project to develop systems for handling social issues such as infrastructure maintenance, management, and renewal (¥4.1 billion)
- Project focused on R&D and verification of advanced next-generation driving safety support systems (¥1.0 billion)
- R&D focused on downsizing technology for ultra-high resolution synthetic aperture radar (¥3.32 billion)

(3) Local resources

- Program to achieve a manufacturing revolution centered on 3D modeling technology (¥4.5 billion)
- R&D project focused on basic fine bubble technology (¥0.5 billion)
- Project to promote global collaboration between agriculture, commerce, and industry (¥1.0 billion)

3. Strategy of Global Outreach

(1) Flexible support packages based on the strategy for each country

- Project to capture markets in emerging countries (¥2.0 billion)
- Project to dispatch experts in support for expansion into emerging countries to SMEs and micro enterprises (¥0.5 billion)
- Expanding the export of infrastructure systems
 - Commission expenses for surveys for promoting export of infrastructure systems (¥1.0 billion)
 - Project for international research, development, and demonstration (¥2.5 billion)
 - International project to demonstrate technologies and systems to improve efficiency of energy consumption (¥7.11 billion)*
- Cool Japan Strategy
 - Costs for projects to strengthen measures against content piracy (¥0.3 billion)
- Development of international standards
 - Project to accelerate strategic international standardization (¥0.8 billion)
 - Project for international standardization and dissemination infrastructure in the field of energy conservation, etc. (¥4.0 billion)*
- Local human resource development overseas, etc.
 - Project to promote trade and investment (¥2.0 billion)

(2) Activating inward direct investment

- Project to organize a system for encouraging inward direct investment (¥2.25 billion)
- Project to revitalize regional economies by attracting global companies (¥2.0 billion)

4. Promotion of environment and energy policies

(1) Production phase

- Demonstration project to develop a next-generation electricity network based on distributed energy (¥5.4 billion)*
- R&D project for technology to deal with output fluctuations in electricity networks (¥4.37 billion)*
- Demonstration project for the early implementation of environment assessment studies (¥3.37 billion)*
- Capital contributions to invest in the purchase of exploration rights and assets, etc. (¥29.0 billion)*
- Commission expenses for the project to promote the development of methane hydrate (¥4.0 billion)*
- Survey project for the development of mining technology for submarine hydrothermal polymetallic ores (¥3.01 billion)

(2) Distribution phase

- Subsidies for the cost of the project to strengthen petroleum products shipping functions (¥8.0 billion)*

(3) Consumption phase

- Subsidies for supporting business operators strive to rationalize their energy use (¥39.0 billion) (mentioned above)*
- Subsidies to support the introduction of residential fuel cells (¥22.4 billion) (mentioned above)*
- Project to promote the introduction of stationary lithium-ion storage batteries (¥5.0 billion) (mentioned above)*
- Project for demonstration of next-generation energy management business models (¥9.3 billion) (mentioned above)*

(4) Global warming countermeasures

- Project for international standardization and dissemination infrastructure in the field of energy conservation, etc. (¥4.0 billion) (mentioned above)*
- Project to promote dissemination of technologies for global warming countermeasures (¥7.7 billion)*
- Project for development of next-generation power electronics technology (¥4.0 billion)*

5. Innovation of small and medium-sized enterprises (SMEs) and micro enterprises

(1) Achieving a start-up rate of 10%

- Project to provide comprehensive one-stop support for business start-ups of SMEs and micro enterprises (¥7.72 billion)

(2) Doubling the number of companies in the black

- Project to support self-reliance in regional retail businesses (¥6.0 billion)
- Subsidy for strategic revitalization of city centers (¥1.7 billion)
- Commission expenses for the project to support efforts for exploring and creating attractive city centers (¥0.3 billion)
- Project to support efforts to encourage collaboration among SMEs and micro enterprises (¥2.3 billion)
- Project to support micro enterprises in developing Japan Brands and making utilization of local industrial resources (¥2.9 billion)
- Project to support the construction of infrastructure for creating new industrial clusters (¥1.0 billion)

(3) Promoting micro enterprises

- Program to foster human resources of micro enterprises and micro enterprises support experts (¥1.5 billion)