



JX (Japan Transformation)

Proposal 2024

JANE's Vision for the Future of Japan

About JX proposal 2024

- ❑ On October 9, 2024, JANE held an event entitled “JX Live! 2024 - Envisioning Japan's Future with Business and Political Leaders,” welcoming top entrepreneurs, politicians and experts to promote the JX initiative proposed by JANE.

<https://nest.jane.or.jp/jxlive2024/> (*Japanese page)

- ❑ Based on the discussion during the event, we have consolidated the proposal into a comprehensive plan to guide the future of Japan.



JX Proposal 2024 - JANE's Vision Japan's Future

Grand Design Strategy to Enhance Japan's Power

- A mechanism to encourage broad public participation in the decision-making processes of political leaders
- Promote a "virtuous cycle of taxation and growth" by lowering tax rates
- Ensure the right to work for motivated individuals, and expand options for self-reliance and diverse work styles
- Promote the acceptance of global talent and technologies from around the world
- Implement clear and decisive regulatory reforms
- Utilize AI, promote educational reform and advance carbon neutrality

Strategy for Becoming an AI Powerhouse

- Lightweight AI × Japanese data set × non-IT industries
- Utilize corporate data while maintaining the strengths of Japan's Copyright Act
- Transform corporate practices to fully leverage AI
- A flexible regulatory approach

Realizing Entrepreneurship Education

- Systematize entrepreneurship education and incorporate it into the curriculum guidelines, revise the evaluation methods to emphasize autonomy
- Strengthen national support for education and create an environment conducive to the introduction of private funding
- Foster a mindset among stakeholders
- Consideration for the prevention of gender discrimination
- Technology × Education

Decarbonization Growth Strategy for Japan

- Create markets and expand demand for GX (Green Transformation) technologies
- Support the implementation phase with a focus on the global expansion of Japanese innovators
- Provide continuous education to enhance GX literacy

Grand Design Strategy to Enhance Japan's Power (1)

- **A mechanism to encourage broad public participation in the decision-making processes of political leaders**
Consider measures to better reflect the opinions of the entire population in the decision-making processes of political leaders.
- **Promote a “virtuous cycle of taxation and growth” by lowering tax rates**
Lower high tax rates to stimulate the Japanese economy and increase tax revenue and reinvest domestically. Share the concept of a "virtuous cycle of taxation and growth" across the entire nation and promote it as a fundamental policy.
- **Ensure the right to work for motivated individuals, and expand options for self-reliance and diverse work styles**
Verify past work style reforms and current labor laws that the government has been promoting, and implement necessary reviews
→ Enable motivated individuals to work without being tied down by hours.

Grand Design Strategy to Enhance Japan's Power (2)

- **Promote the acceptance of global talents and technology from around the world**
To revitalize Japan through transformative change, prioritize policies that attract investment, human resources and technology around the world, and clarify the government's stance on opening the country to accept investment and collaboration.
- **Implement decisive regulatory reforms**
Take a lead in spearheading the implementation of regulatory reforms without being constrained by vested interests.
- **Utilize AI, educational reforms, and address carbon neutrality**
 - ☞ For more details, please see another page on the subject below:
 - **Strategy for Becoming an AI Powerhouse**
 - **Realizing Entrepreneurship Education and Decarbonization Growth Strategy for Japan**

Strategy for Becoming an AI Powerhouse

➤ **Lightweight AI × Japanese data × Non-IT industries**

Japan's winning formula will come from the combination of lightweight and dynamic AI, utilization of high-quality Japanese data, and the non-IT industry.

➤ **Utilize the advantages of Japan's regulatory framework**

Maintain Japan's competitive advantage in the field of AI development; Japan's Copyright Act makes it convenient to utilize internal corporate data, including internal documents.

Transform corporate practices to fully leverage AI

To fully leverage AI, change ways of working of Japanese companies, which are not adept at adapting work styles, and remove anxiety and worries about AI's utilization.

➤ **A flexible regulatory approach**

The AI regulatory framework should be based on soft law combined with the minimum necessary hard law. Agile policy formation is essential in response to the fast-changing world of AI.

Realizing Entrepreneurship Education

- **Systematize entrepreneurship education and position it in the National Curriculum Standards**

Entrepreneurship education is already being implemented in society.

Systematize entrepreneurship education and position it in the new National Curriculum Standards.

- Provide an education that maximizes the potential of the individual and **conduct a review of evaluation methods related to independence**

- **Strengthen the government support for education and create an environment for the introduction of private funding**

Provide enhanced government support for education and create an environment that facilitate private funding for education.

- **Motivate educators to pursue active involvement**

- **Consideration for the prevention of gender discrimination**

- **Technology × Education**

Always consider how to combine with technology.

Decarbonization Growth Strategy for Japan

➤ **Market creation and increasing demand for GX technology**

Despite the larger budget allocated to GX Research & Development, the implementation of GX technology in products has encountered challenges. It is essential to implement policy measures that will stimulate demand for these products, thus creating an environment conducive to the successful implementation of GX technology.

➤ **Support in the implementation phase with a focus on global expansion**

Support for the implementation stage (e.g., business design) is needed in addition to that for the R&D phase. Assume “Go global” from the beginning.

➤ **Provide continuous education to improve GX literacy**

Engage in sustained GX education from an early age to increase GX literacy in society as a whole.



Appendix 01

**Opening Speech
by Mickey Mikitani,
Representative Director of JANE**



Make Japan a country where “people, knowledge and capital” gather from all over the world

There is no future for Japan unless we transform this country into a new era empowered by entrepreneurs.

Free up private sector

- Government as backup to cover gaps from private sector
- Foster a **philanthropic ecosystem** centered on the private sector to create cash flow to solve social issues through the private sector.

Reduce globally uncompetitive tax rates

- Review **taxation system based on global standards to ensure international competitiveness and attract foreign talent**
- Corporate tax effective rate: 20%; Max personal income tax rate: around 40%*

Promote and use New Combination globally and digitally

- Clarification of principles for accepting foreigners (establishment of Basic Immigration Law)

*Including local tax rates



Transforming Japan into a hub for people, knowledge and capital from around the world.

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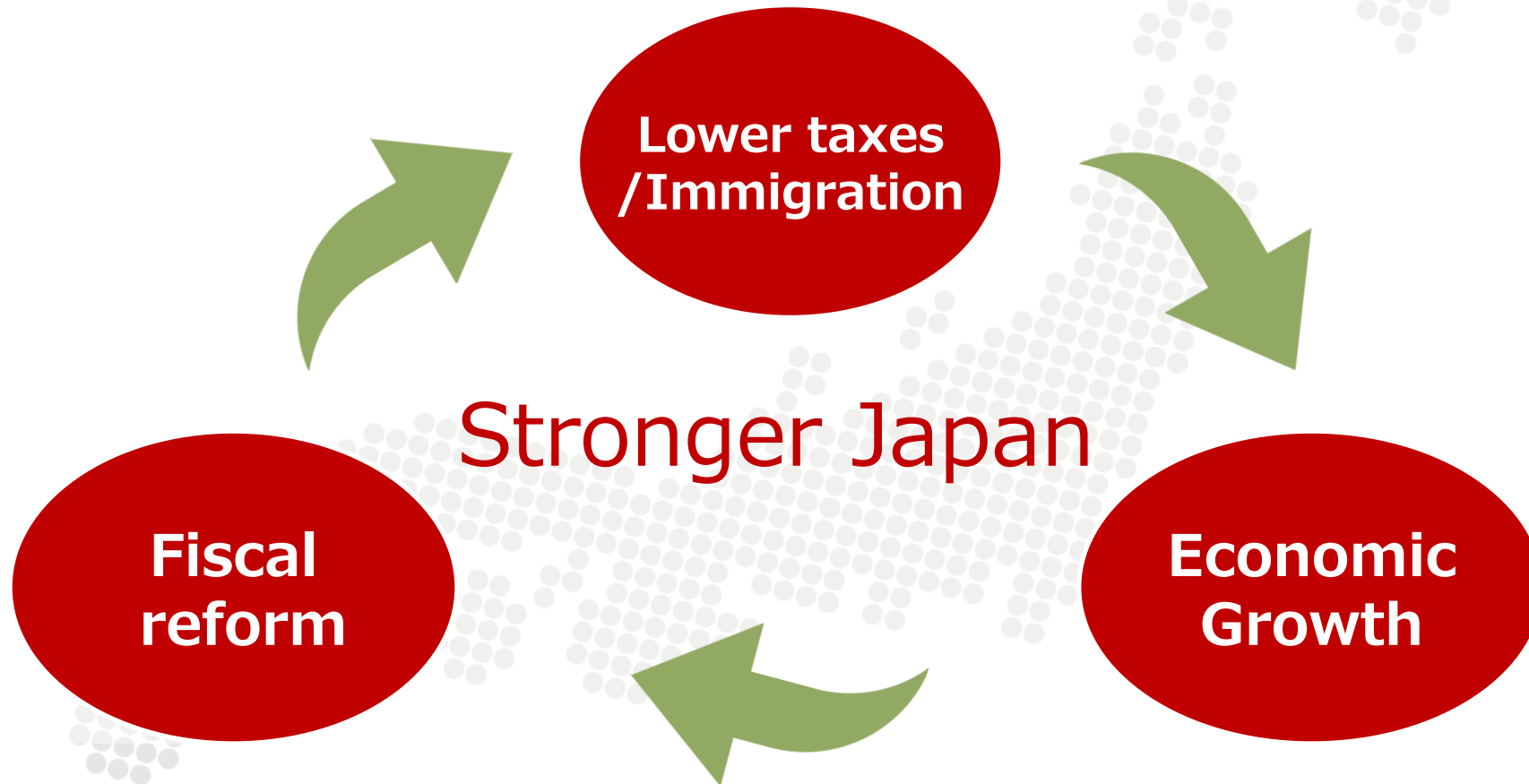
Promotion and utilization of new combo (global + digital)

- Clarification of principles for accepting foreigners (establishment of Basic Immigration Law)
- Reforming regulations to support business in the digital era (Examples of incomplete digitalization: Online medication guidance for prescription drugs, electronic delivery of contract documents)

Growth Cycle

Realize dramatic growth through

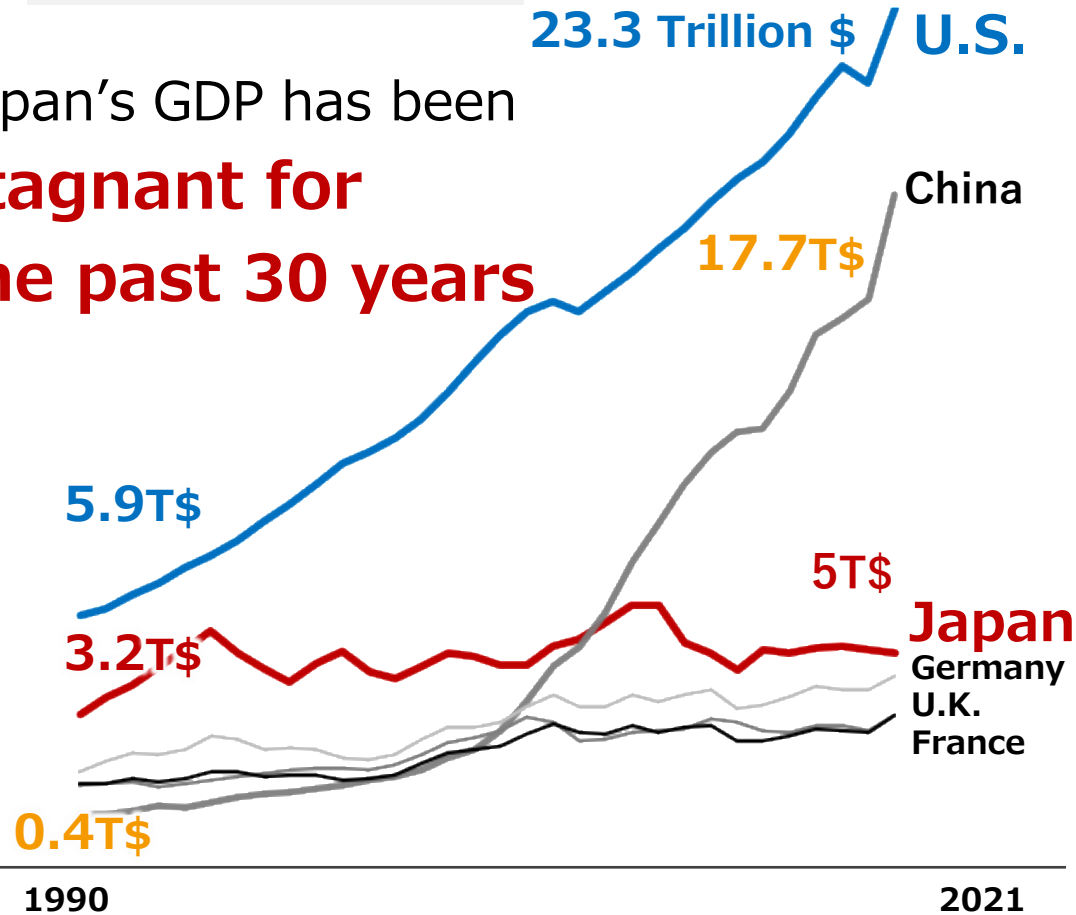
lowering tax rates and welcoming immigration



Japan is losing its global competitiveness

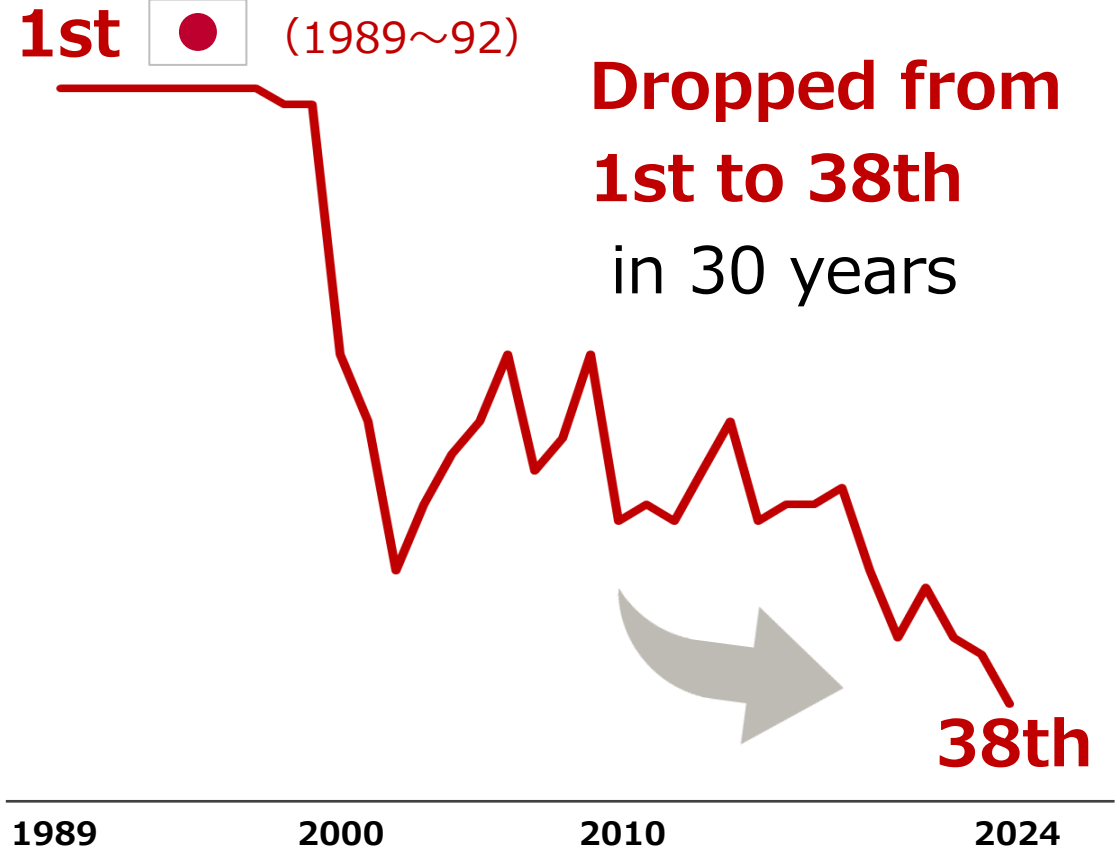
Global GDP growth

Japan's GDP has been **stagnant for the past 30 years**



Source : GLOBAL NOTE

Japan's ranking in global competitiveness



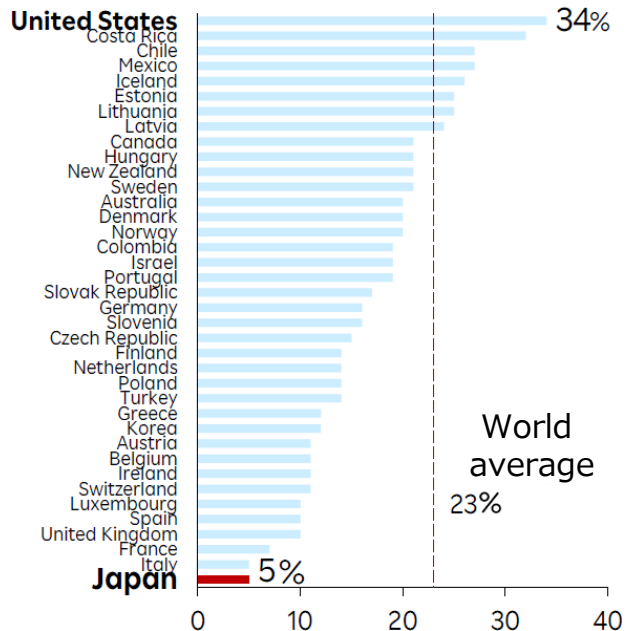
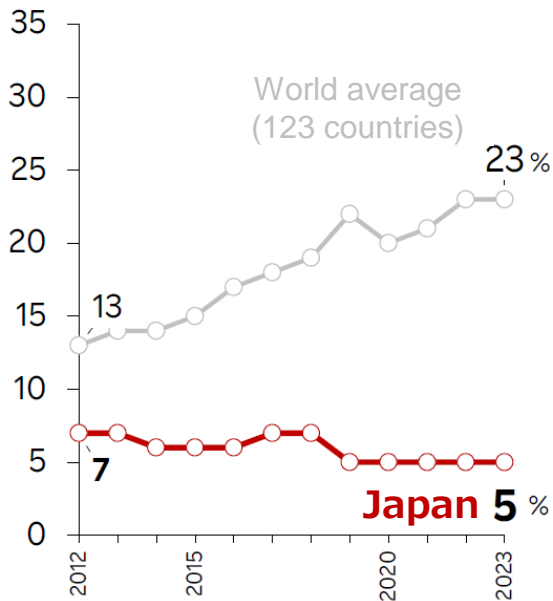
Source : IMD World Competitiveness Ranking

Japan has developed an apathetic labor force due to “work style reform”

Rate of “Enthusiastic Employees*”

(%; Engaged employee, Gallup)

OECD Countries (2023)



To stimulate the economy:

- Establishment of **a system not bound by time**, expanding options for workers
- Imperative to implement an employment system for **attracting more diverse talent from across the globe** by broadening Basic Immigration Law to accept foreign talent

*Gallup's employee engagement, calculated from annual public opinion surveys conducted in over 100 countries worldwide. Reflects employees' engagement and enthusiasm for their jobs and workplaces.
Source: State of the Global Workplace 2012-2023 (Gallup), IM-Project analysis, Kuniaki Matsumura

Extremely high tax rates in Japan compared to other countries

Japan has a high income tax rate for both individuals and corporations



Japan



Singapore



India



U.S.



U.K.



Russia

Personal income tax (Highest tax rate)

55%

Income tax: max 45%
Local tax: 10% (flat rate)

22%

30%

Up to 37% additional tax surcharge for high income earners

Federal **37%**

State **0.0-13.3%**

45%

Up to 46% in Scotland

15%

Corporate income tax rate

29.74%

17.0%

25.17%

Federal **21.0%**
States **0.0-11.5%**

19.0%

Up to 25% for large companies

20.0%

● Personal income taxation is progressive.

● The corporate income tax data for Japan, the U.S., and the U.K. is from 2022, while the data for other countries is from 2021.

Source : OECD, JETRO, tax systems of various countries, and the website of the Ministry of Finance

Even with lower tax rates, **tax revenue will increase** if the economy grows

Comparison of tax revenue between U.S. and Japan

(Tax rate: 37%)

U.S.

\$5 trillion

(tax rate: 55%)

Japan

\$540 billion

\$1 trillion

\$410 billion

1990

2022

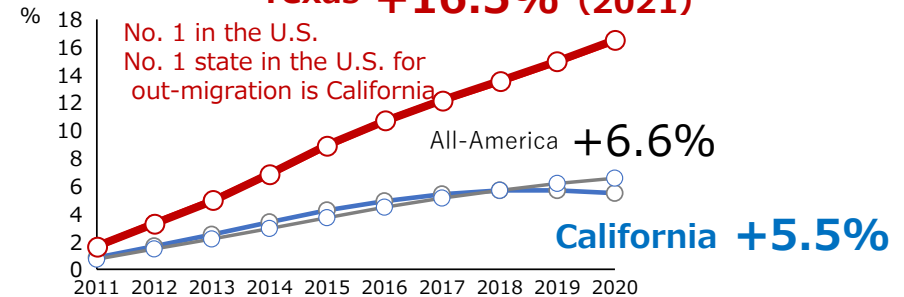
Source: Congressional Budget Office in the U.S., Ministry of Finance

● Tax rates are as follows: The U.S. has a maximum federal income tax rate of 37% + 0% state tax, Japan's maximum national income tax rate is 45% + local tax rate of 10%.

Exodus of people and companies from California to Texas in the U.S.

Population growth rate

Corporate taxes and personal income 0%
Texas +16.5% (2021)



Number of business expansion projects (2021)



Appendix 02

**Summary of discussion
based on points raised
at roundtables**



Current situation/Issues

- ❑ Learn from other countries
 - The new British government presented five missions: (1) economic growth, (2) clean energy, (3) reconstruction of National Health Service (NHS), (4) strengthening security, and (5) ensuring equality of opportunity.
 - Established "Skills England," a government body to improve the skills landscape of local workers and address the issue of labor shortages. The organization identifies each worker's skills shortages and develop training programs etc.
 - In the U.K., all administrative procedures can be done online
 - Example of Georgia: Georgia underwent a dramatic reform 2000s where it reformed its tax system (reduction and simplification) and the government all at once. Thanks to the reforms, tax revenues increased and attracted many startup companies.
- ❑ In Japan, there is a culture of fear of failure and a lack of will for change.
- ❑ Japan has a tendency to excessively seek zero-risk when seeking the best outlook on a macro level should be prioritized.
- ❑ Lack of motivation in Japanese workforce is problematic. Examining and restructuring the framework though the work style reform laws is a major theme for the future. Managing work by the hour is no longer in line with the times and it can be an infringement of the right to work.



Items to be addressed

- ❑ Identify the government's mission.
- ❑ Strengthen measures to address the issue of labor shortages and the expansion of the workforce. (e.g., promote thorough discussion of measures to improve the skills of Japanese workforce, promote immigration policies, etc.)
- ❑ Cultivate spirit and culture that is not afraid of failure or change.
- ❑ Seek best outlook at a macro level when developing policies
- ❑ Verification and necessary review of the government's past "work style reform" and current labor laws.
 - ➔ Enable motivated workers to work without being tied down by hour. (Securing worker's right to work, expanding worker's autonomy and freedom of choice, etc.)
- ❑ As part of measures to proceed Regional Revitalization 2.0, promote "registration system for Bi-regional Residence". (Please see the proposal, P7-9. *Only in Japanese)
- ❑ Promote policy to create "virtuous cycle of taxation and growth," in which tax rates are lowered to stimulate the Japanese economy, and tax revenues are increased to promote domestic investment, with benefits shared by all levels of the Japanese society.
- ❑ To revive Japan, the government should take a clear open-door policy, attracting investment and talent from all over the world.

Grand Design Strategy to Enhance Japan's Power



Current situation/Issues

- ❑ The “registration system for bi-regional residence” proposed by JANE in its regulatory reform proposal is helpful from the perspective of regional development.
- ❑ Our urgent issue is a lack of human resources.
- ❑ Even if inbound tourism growth is set as policy, there is not enough manpower to meet demand.
- ❑ It is necessary to attract more people and technology from in and outside of the country through open innovation.
- ❑ Japan is expanding its acceptance of foreigners in terms of tourism, but it is hard to see the impact in terms of overcoming obstacles faced by businesses.
- ❑ Comprehensive measures needed are (1) review of education, (2) promotion of digitalization, and (3) regulatory reforms for innovation creation.
- ❑ M&A promotion is need from the perspective of expanding scale, while promotional measures including regulatory reform is necessary.
- ❑ There is a need for opportunities for people in each layer to express their opinions during the government decision-making processes.
- ❑ Each segment of the public should be given the opportunity to express their opinions on the decision-making process of political leaders. If it is difficult to introduce a system for public election of the Prime Minister, we could consider reviewing party expenses for political parties.
- ❑ In order to have a bright future for AI in Japan, it is important to utilize AI and expand it.
- ❑ Working on offshore wind power is also necessary.



Items to be addressed

- ❑ Improve the educational content and the system necessary for the next-generation.
- ❑ Promote regulatory reforms and other measures to advance M&A
- ❑ Examine measures to better reflect the opinion of all segments of the public regarding the decision-making process of political leaders
- ❑ Promotion of AI utilization



Strategy for Becoming an AI Powerhouse

Current situation/Issues

- ❑ Foreign operators are dominating the market for ultra-large-scale LLM (Large Language Models), however, Japan's companies will have success in terms of lightweight and dynamic AI, AI that utilizes high-quality Japanese data, robotics, and in combination within fields such as manufacturing and healthcare.
- ❑ AI will be driven by startups in Japan. The key factor for startups is how they can create useful services that are easy to use.
- ❑ In order to improve productivity through the AI use, it is necessary to "use AI to the max", but the adoption rate of generative AI is low among Japanese companies. The major reasons behind this are: (1) Japanese people are not good at changing their way of work in response to new technologies. (2) There is a fear among Japanese that they will lose their jobs because of AI.
- ❑ Japan has an advantage in terms of the copyright act, which facilitates the use of data for AI development.
- ❑ The data obtained through generative AI (e.g., image data) may not be used without modification unless the creator properly modifies the data. It is necessary to store such secondary data as assets.
- ❑ Japanese companies are document-oriented, which means that the learning data is abundant.
- ❑ We should not repeat the past case in Japan that the foreign companies that did not follow the rules dominated the market while the domestic companies obey them.



Items to be addressed

- ❑ AI regulation should be based on a multi-layered approach, combining soft law with minimum necessary hard law.
- ❑ To promote the introduction of generative AI to Japanese companies, it is important to eliminate the fear and anxiety caused by the introduction of the AI. To allow users to use AI safely, it is also necessary to explain the correct way to use AI through guidelines, and to ensure transparency of AI, we must include how data for training AI will be used. (Virtuous cycle of safety, security, and utilization)
- ❑ Maintain the importance of copyright in the development of AI.
- ❑ Numerous data, including documents in companies, should be utilized in AI learning, and generate high-quality AI.
- ❑ When forming rules, consider "who will be protected by the rules."

Current situation/Issues

Current situation/Issues

- ❑ Social implementation of entrepreneur education is possible. (e.g., Introduction of “Saitama Engine:” an exploratory learning program conducted by Saitama City, in which junior high school students explore companies and communities, discover strengths and characteristics of the companies and local issues through about 15 programs per year, and make business proposals to the companies.)
- ❑ The challenges in promoting entrepreneurship education are (1) how education can be evaluated in the field, (2) who will handle it and in what way, (3) how to deal with the constraints of insufficient resources.
- ❑ In order to change the mindset of educators and bring about a revolution in education, it is important to position entrepreneurship education in the curriculum guidelines. Doing that will change the landscape in schools.
- ❑ Introducing entrepreneurship education needs a certain amount of money, and it must be secured from the government or the private sector as there is no capability to fund from schools. Creating an environment that facilitates private funding for education is essential.
- ❑ Entrepreneurship education needs to be well defined. It should be the cultivation of the basic qualities that are necessary for any kind of work.
- ❑ As the authority to determine the curriculum rests with the principal, the mindset of individual principal needs to be changed.



Items to be addressed

- ❑ Realization of education that maximizes the individual’s potential and revision of evaluation methods for initiative.
- ❑ Systemize entrepreneurship education and position it in the new curriculum guideline.
- ❑ Strengthen government support for education and creating an environment that facilitates private funding for education.

■ Current situation/Issues

Current situation/Issues

- It is necessary to ensure that entrepreneurship education does not discriminate on the basis of gender.
- A private survey shows the percentage of teenagers who want to create their own digital content is high.
- The educational system should be changed to bring out children's potential, not adapt them to the system. The evaluation of initiative needs to be changed.
- Best practices should be widely enlightened and expanded horizontally, and it would be good if educators can use this effectively.
- The incorporation of technology in the education sector is paramount.



Items to be addressed

- Fostering a growth mindset among stakeholders
- Prevention of gender discrimination
- Consideration of how new technology can be used in combination with existing technology.

Decarbonization Growth Strategy for Japan

Current situation/Issues

- ❑ The scale of Japan's GX investment as a percentage of GDP, including GX Economy Transition Bonds, has reached a level comparable to Europe and U.S., however, Japan has only 1/18th the number of GX startups founded and 1/13rd the scale of procurement as the U.S., which means that there is significant room for growth.
- ❑ Although research and development (R&D) budgets for GX have increased considerably, there is no market to sell the resulting products (it is unclear how much demand exists).
- ❑ Many companies are reluctant to implement the technologies created through R&D from the point of view of economic feasibility. In order to solve the problem, it is necessary to devise a business design by implementing a product with a high selling price, the burden of implementation costs becomes relatively low, allowing for profitability.
- ❑ Japan's CO2 emission are only a few percent of the world's total. It means that Japan's startups that implement decarbonization technologies need to consider the possibility of entering the global market.
- ❑ It is important to understand integrated issues, change the mindset of top management, and align the entire company, as there are a wide range of challenges and departments involved.
- ❑ Literacy is essential for discovering hidden GX technologies and implementing technologies in society, but it can't possibly be achieved overnight.



Items to be addressed

- ❑ To address the issue of the lack of a market for selling R&D results (unclear situation of how much demand exists), it is necessary to create a market through policy measures. (E.g., Carbon pricing will increase the cost of CO2 emissions, resulting in a rise in demand for decarbonization technologies.) This mechanism should have a large enough impact to lead to behavioral change.
- ❑ In addition to support for R&D, the government should help in the phase of promoting social implementation (e.g., support for constructing business design and taxation etc.)
- ❑ Support R&D based on the premise of a "Go global" mindset. (No one will benefit if the companies are reluctant to expand their business overseas for fear of technology drain)
- ❑ Create a global information mechanism for company-wide alignment.
- ❑ Continuous education efforts from an early age to increase GX literacy in society as a whole.



新経済連盟
Japan Association of New Economy