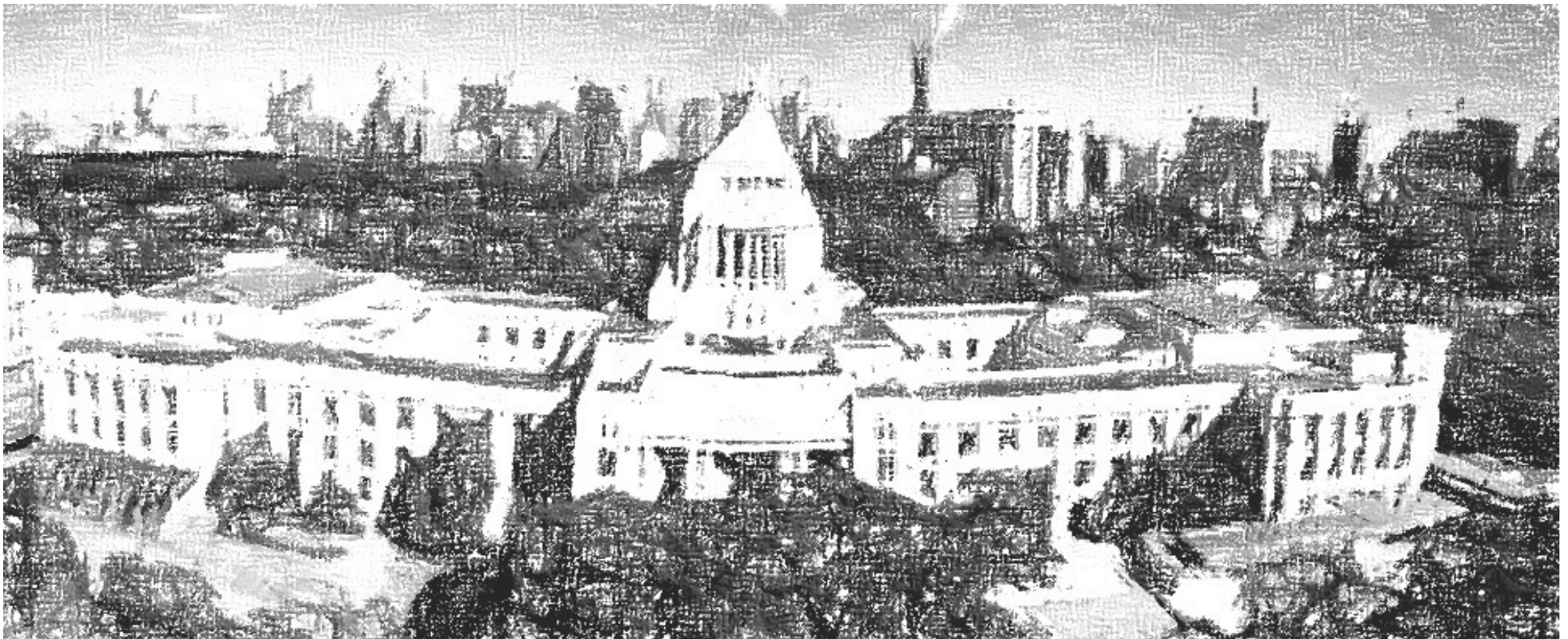
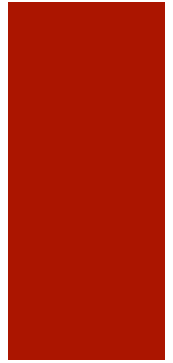


# Special Briefing House of Councilors Election 2016



# Agenda

- Background
- Election System
- Key Performance Criteria
- GR Japan Prediction
- Political Party Platforms
- Implication for policy making in Japan

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- **Background**
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- The first nationwide election since Abe administration's contentious security legislation allowing Japan to engage in collective self-defense
- The first national election for the newly formed DP
- Possibly the fourth consecutive national election win for LDP
- Possibility for LDP to win upper house majority for the first time since 1989
- Possibility for governing parties to achieve 2/3 majority in both upper and lower houses for the first time, enabling them to amend Constitution
- Constitutional amendment, however played down by the Abe administration, causes fear in certain segments of voters
- The fate of Abenomics is at the center of discussions. Opposition believes Abenomics are not working, whereas the government argues it needs more time.

- The fate of Abenomics is at the center of discussions. Opposition believes Abenomics are not working, whereas the government argues it needs more time.
- The broader context: a new economic climate, fears of global recession after slowdown in China, the postponement (again) of the consumption tax raise, and the Brexit vote.
- Lowering of the minimum voting age from 20 to 18, which brings some 2.4 million new voters, but its effect on the outcome is unclear.
- Opposition parties made a decision to have unified candidates in PR districts, but it is unclear how more conservative opposition voters would react

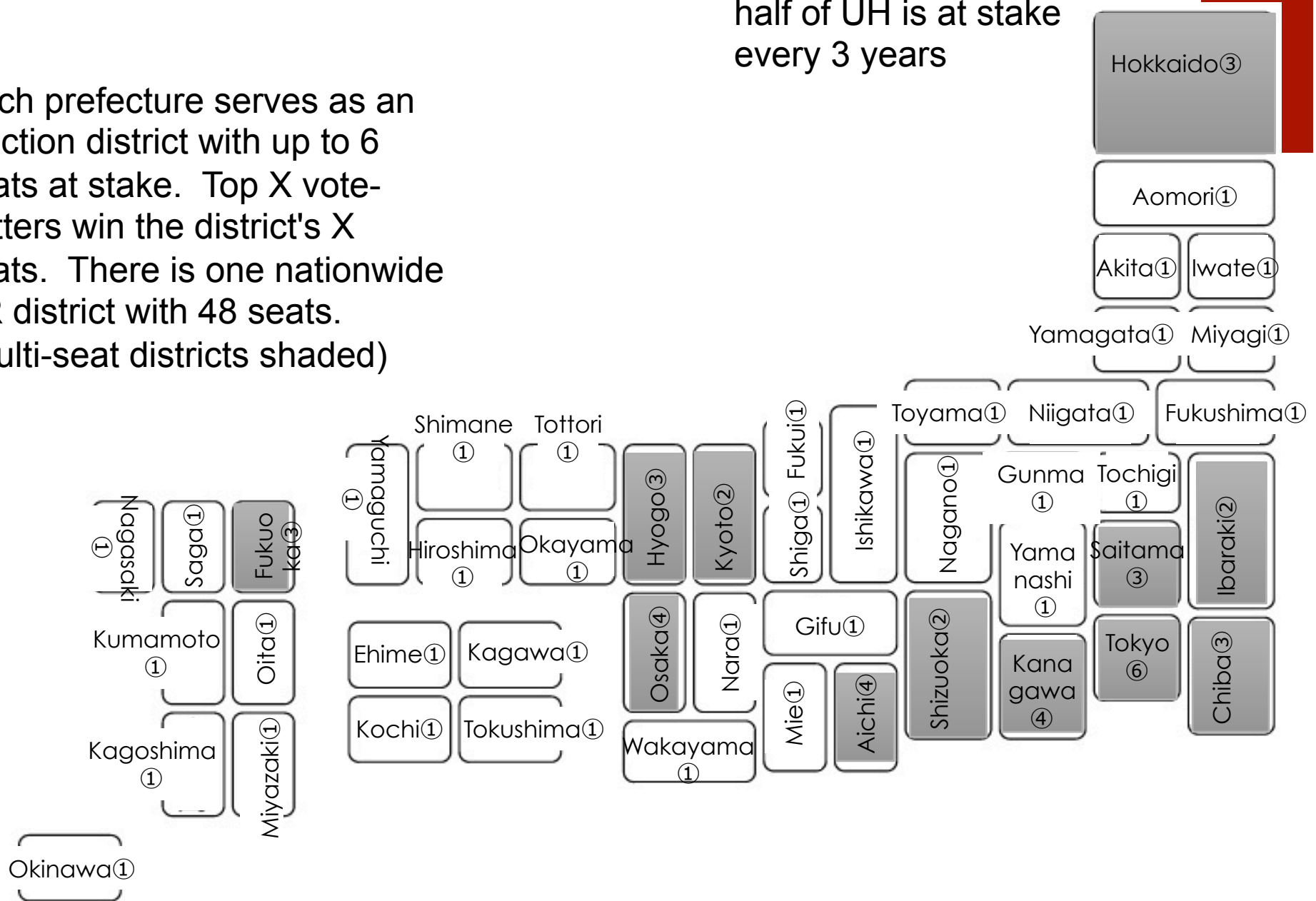
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## Election System

half of UH is at stake every 3 years

Each prefecture serves as an election district with up to 6 seats at stake. Top X vote-getters win the district's X seats. There is one nationwide PR district with 48 seats. (multi-seat districts shaded)





## District change after election reform

District	Constant No. of seats	Re-election No. of seats	District	Constant No. of seats	Re-election No. of seats
Hokkaido	4 → 6	2 → 3	Kanagawa	6 → 8	3 → 4
Tokyo	10 → 12	5 → 6	Osaka	6 → 8	3 → 4
Aichi	6 → 8	3 → 4	Fukushima	4 → 2	2 → 1
Hyogo	4 → 6	2 → 3	Gifu	4 → 2	2 → 1
Fukuoka	4 → 6	2 → 3			
Miyagi	4 → 2	2 → 1			
Niigata	4 → 2	2 → 1			
Nagano	4 → 2	2 → 1			
Tottori	2	1			
Shimane	2	1			
Tokushima	2	1			
Kochi	2	1			

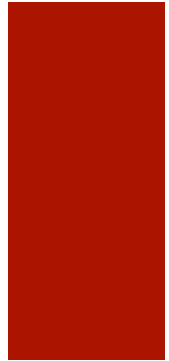
\*Tottori and Shimane merged into single district

\*Tokushima and Kochi merged into single district

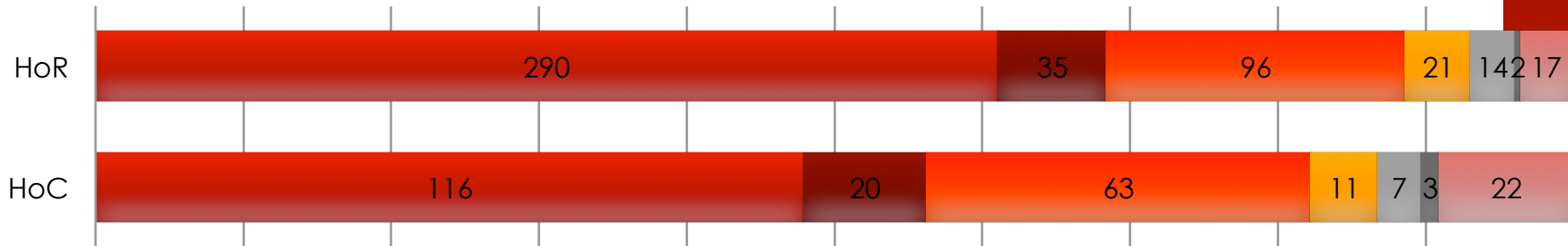


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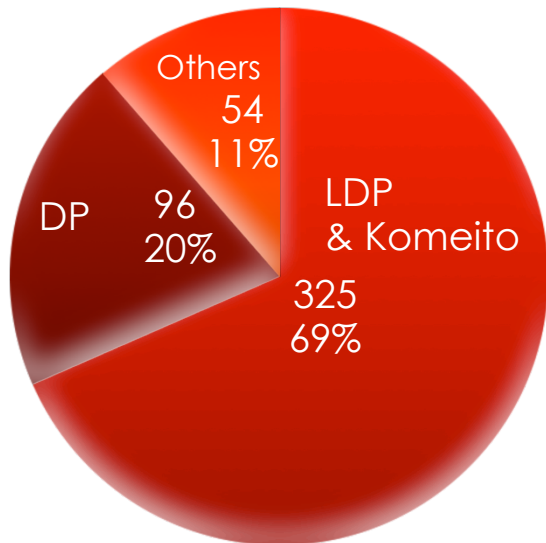
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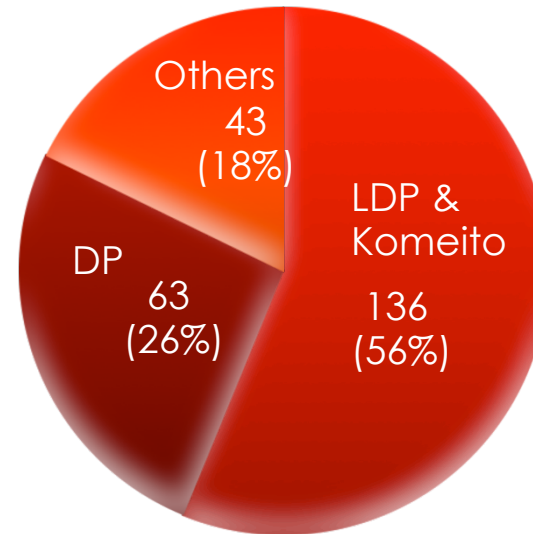
Current number of each party



HoR Party Strengths



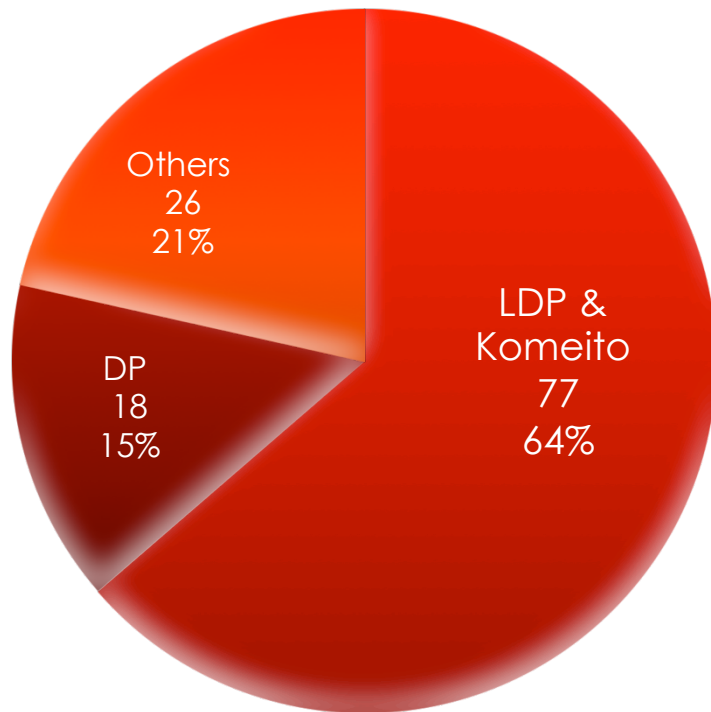
Pre-election HoC Party Strengths



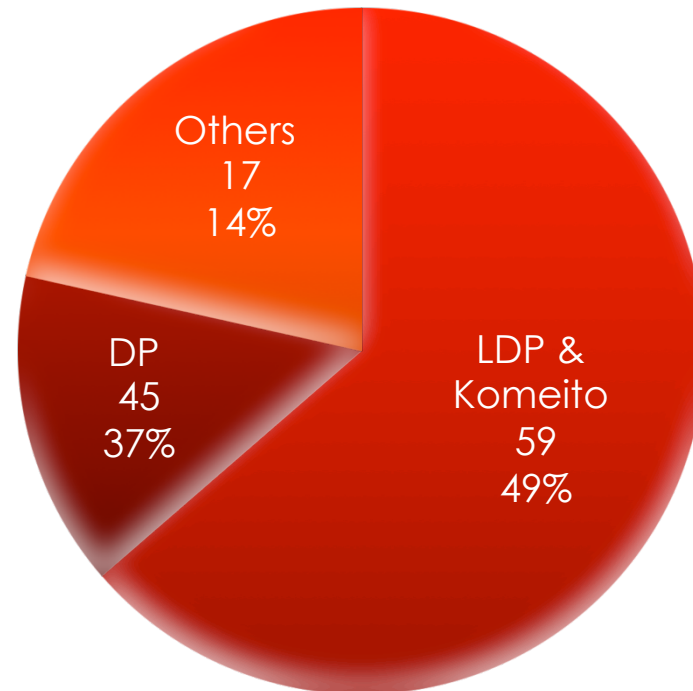
# What is at Stake?



### HoC seats not up for reelection



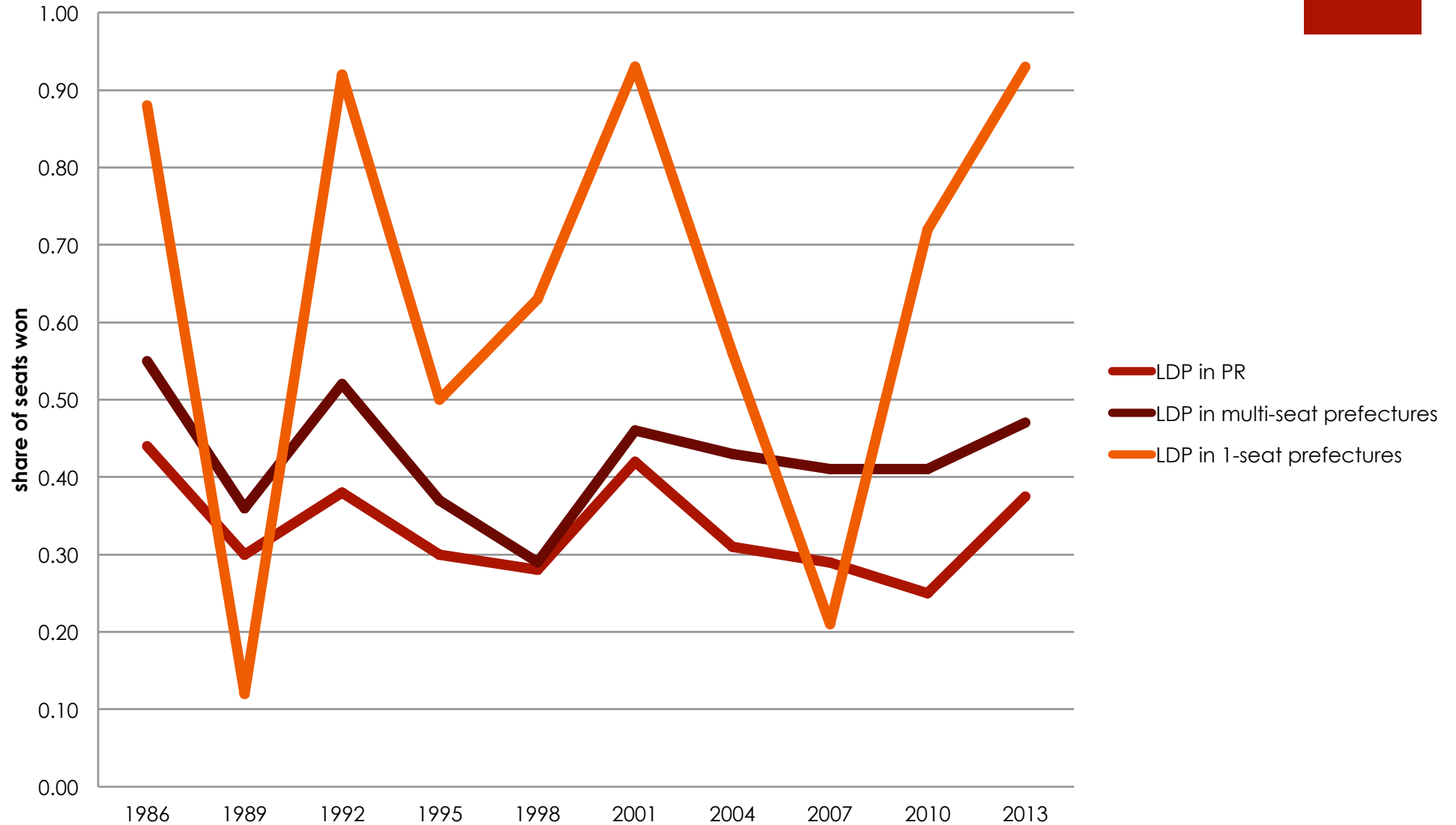
### HoC Seats up for election



# 1-seat districts most volatile



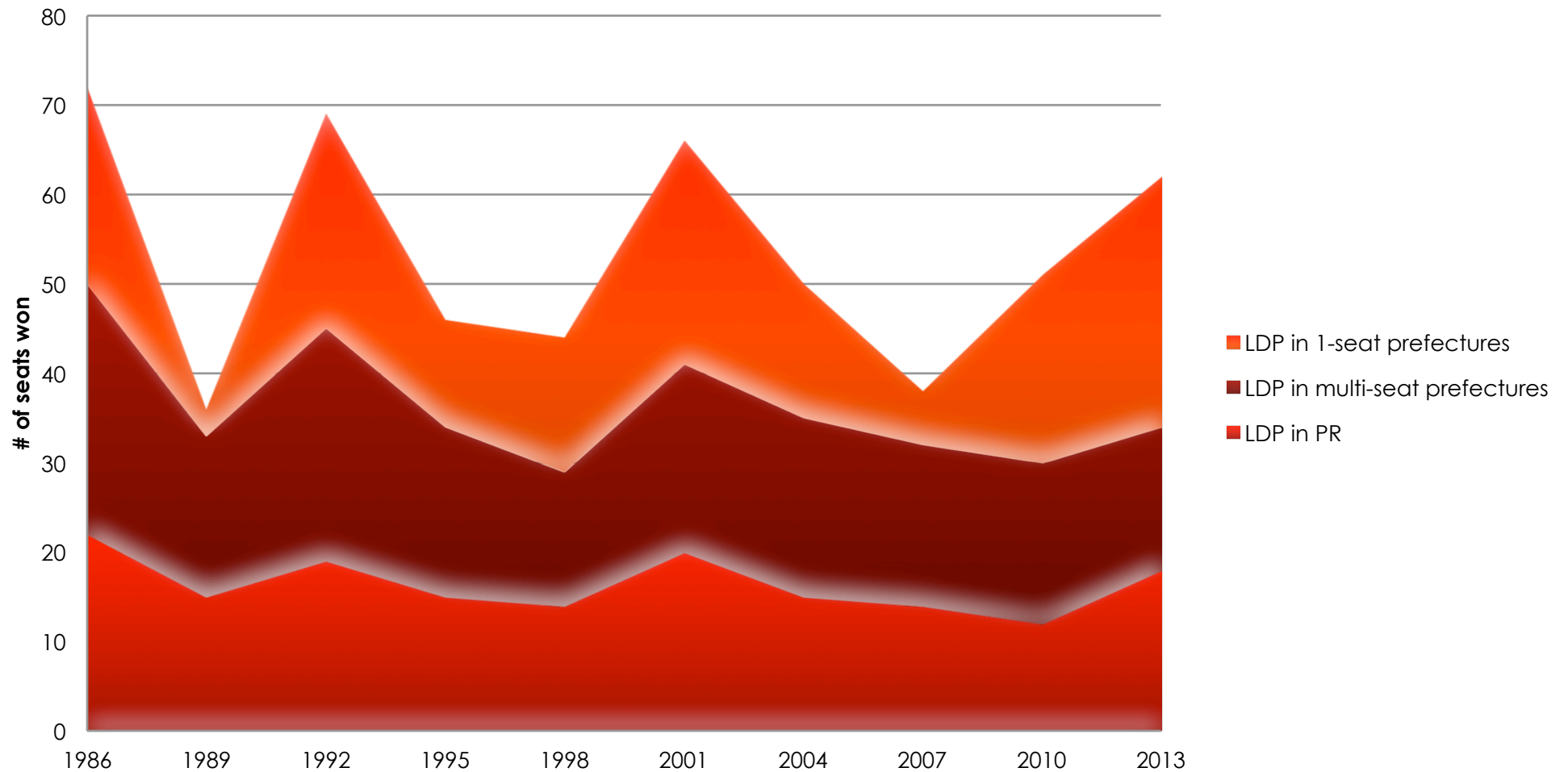
**LDP seat wins by district type:  
1-seat districts are most volatile**



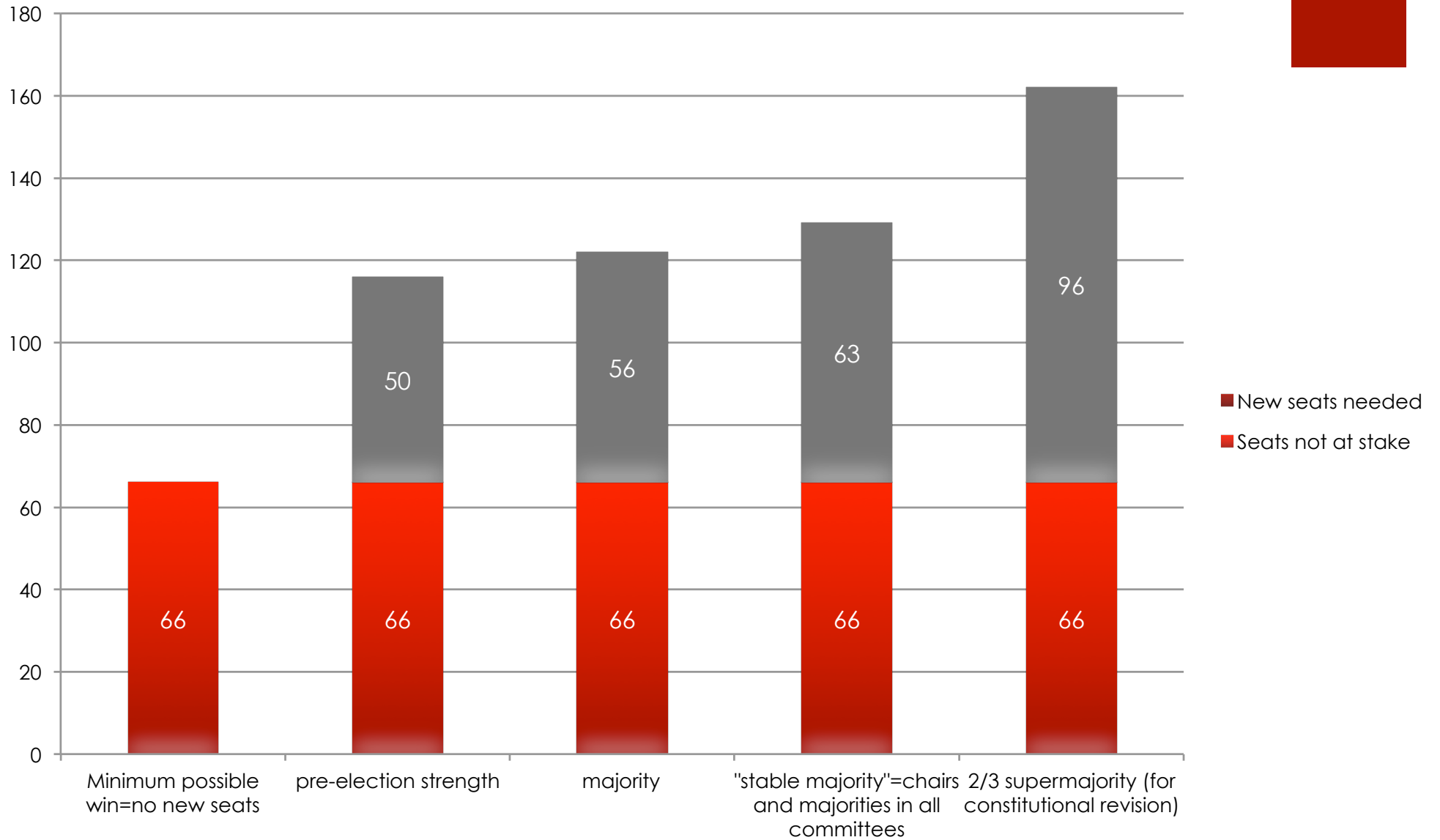
# Single-seat districts determine the outcome



**LDP seat wins by district type:  
1-seat districts make or break overall results**



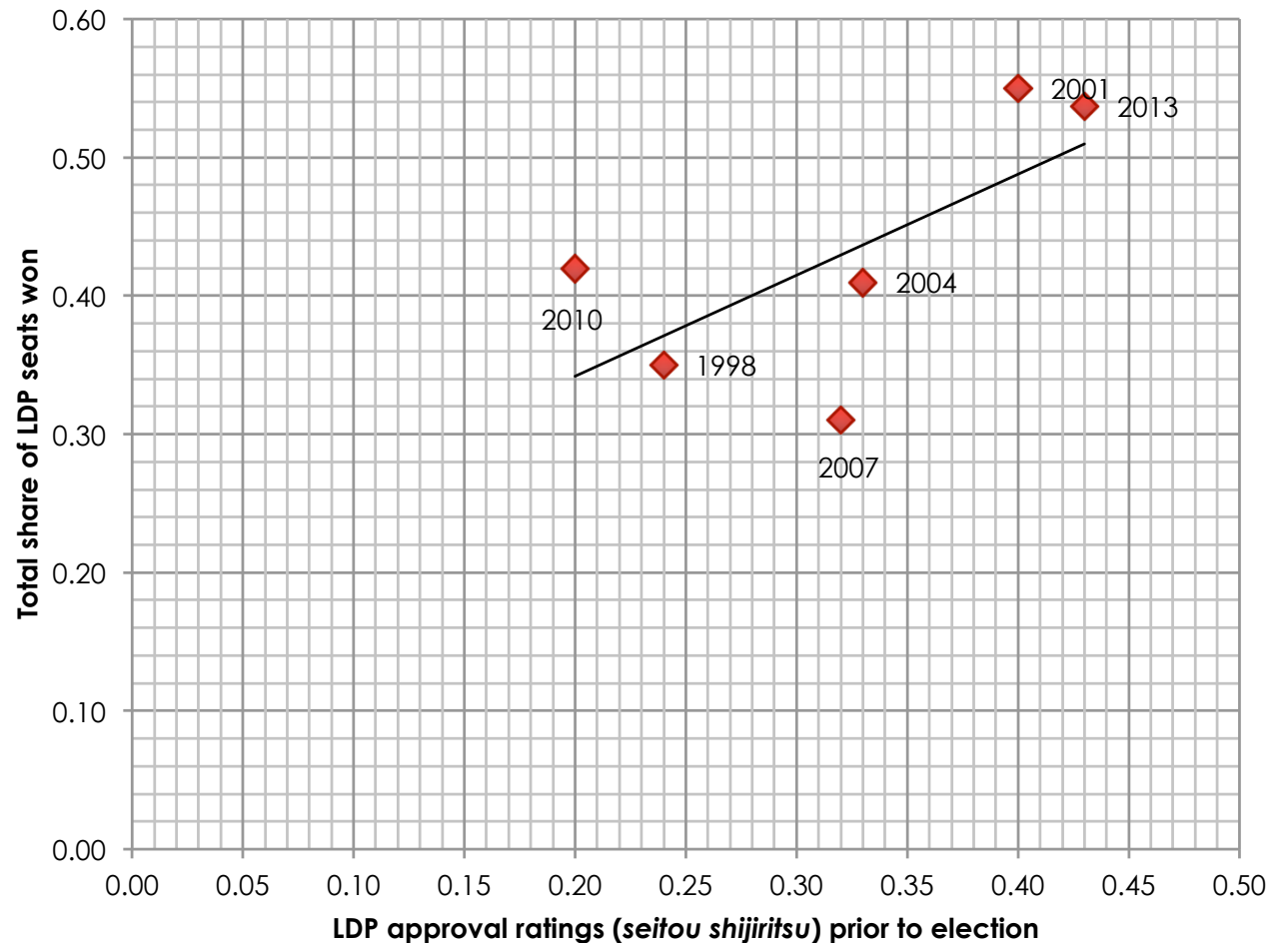
# LDP Benchmark





*Nationwide PR*  
LDP performance can be predicted reasonably accurately from opinion polls prior to the election

NB:  
Data source: NHK opinion poll a month prior to the election

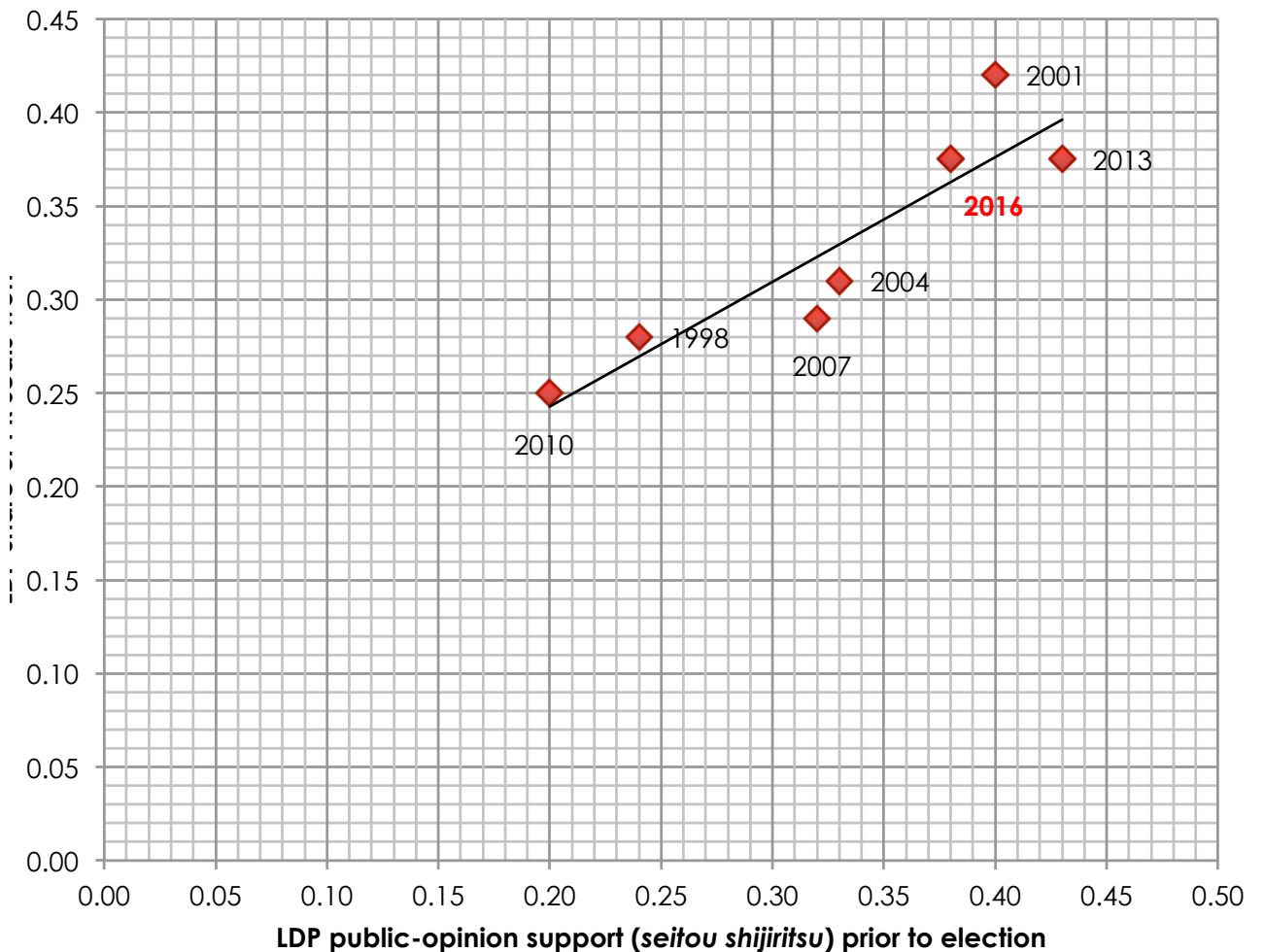






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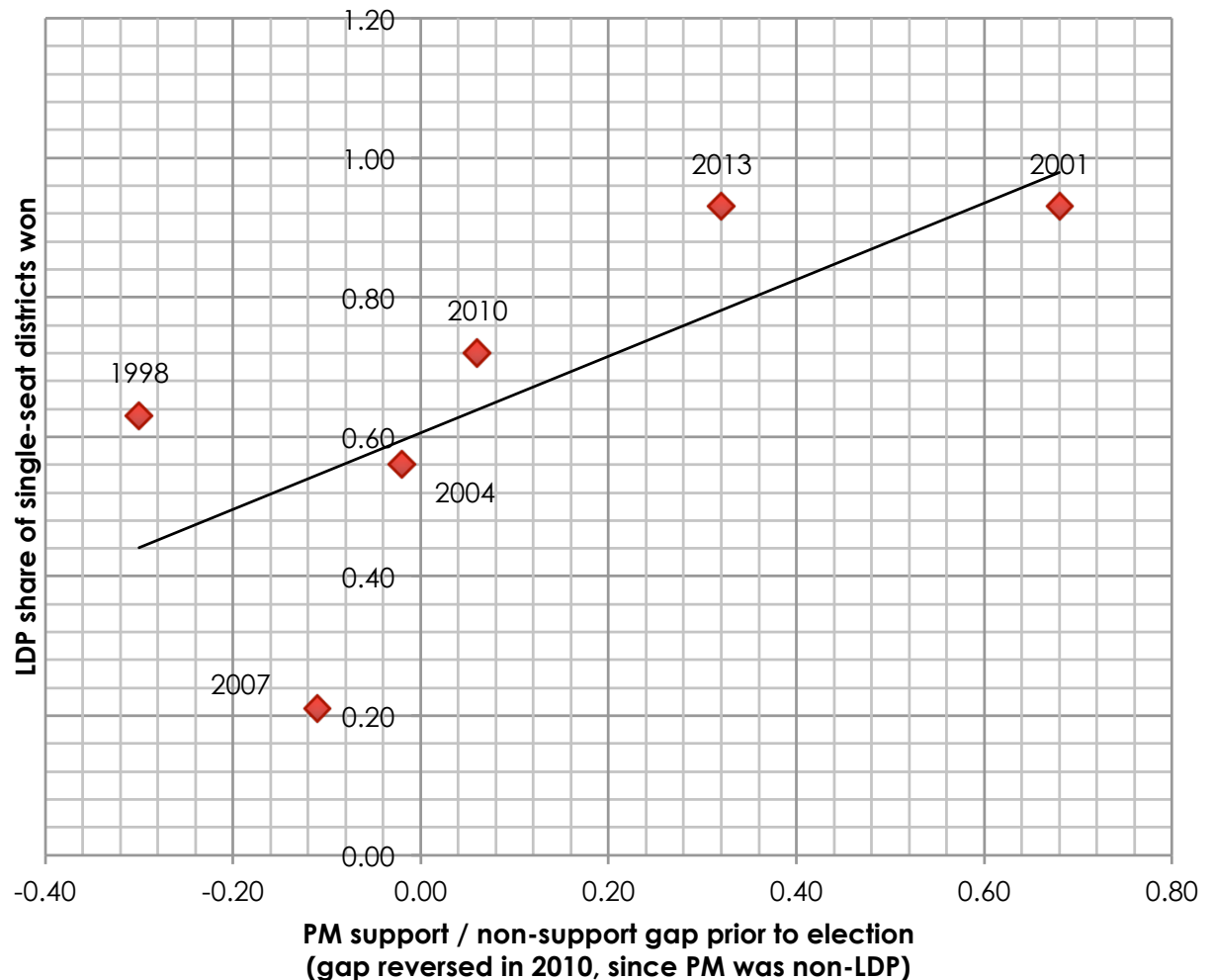




## Single-seat Districts

Data from nationwide opinion polls is less useful for predicting outcomes in single-seat districts. Local context – who are the candidates, and whether parties cooperate to avoid vote-splitting – matters.

PM net support (support - non-support) is a reasonable predictor -> UH elections are becoming a plebiscite on PM's performance



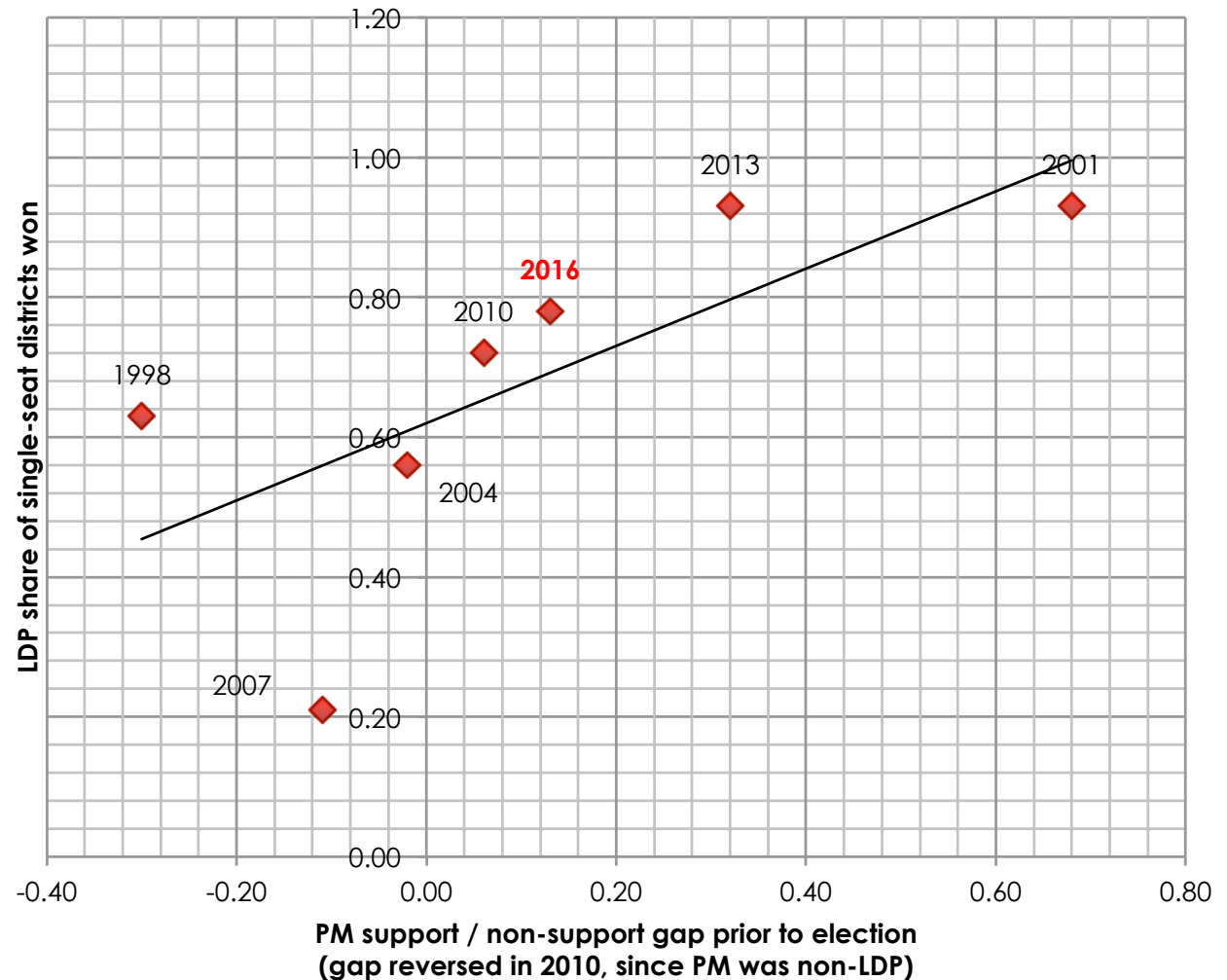
# Scenarios: Public Opinion Prediction for 2016



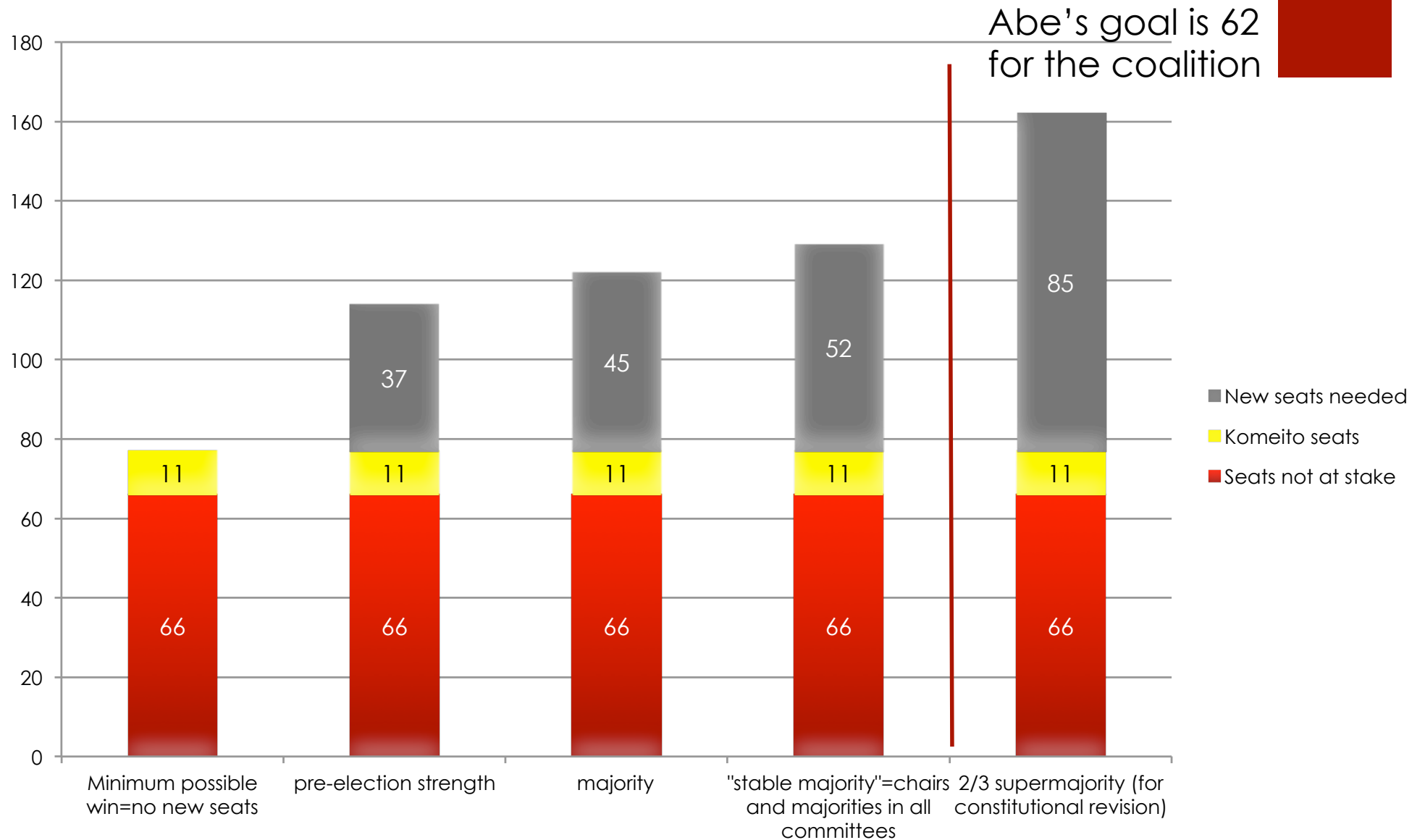
## Single-seat Districts

Data from nationwide opinion polls is less useful for predicting outcomes in single-seat districts. Local context – who are the candidates, and whether parties cooperate to avoid vote-splitting – matters.

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# Coalition benchmark



District Type	No. of Districts		Communist Party Candidates		
	2013	2016	2013 Candidates	2013 Elected	2016
1 seat	31	32	30	0	32 (jointly with other opposition parties)
2 seat	10	4	10	1	4
3 seat	3	5	3	0	5
4 seat	2	3	2	1	3
5 seat	1	0	1	1	0
6 seat	-	1	-	-	1
PR	-	-	17	5	42
<b>Total</b>	<b>47</b>	<b>47</b>	<b>64</b>	<b>9</b>	<b>87</b>

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Prediction of LDP performance:  
-will take own majority

District Type	No. of Districts	No. of Seats	High-End Alternative	GR Japan Prediction	Low-End Alternative
1 seat	32	32	25	25	21
2 seat	4	8	4	4	4
3 seat	5	15	7	7	5
4 seat	3	12	3	3	3
5 seat	0	0	0	0	0
6 seat	1	6	2	2	2
PR	-	48	20	18	17
Total	47	121	61	59	52



-Coalition to take stable majority but 13 seats short off super majority



Type of District	Districts	At Stake	LDP	Komeito	Osaka	DP	JCP	SDP	Other
1 seat	32	32	25	0	0	4	0	0	3
2-seat	4	8	4	0	0	4	0	0	0
3-seat	5	15	7	3	1	4	0	0	0
4-seat	3	12	3	3	2	2	1	0	1
5-seat	0	0	0	0	0	0	0	0	0
6-seat	1	6	2	1	0	2	1	0	0
Prefecture Total	47	73	41	7	3	16	2	0	4
48-seat National (PR)	-	48	18	7	4	11	7	1	0
Total	47	121	59	14	7	27	9	1	4

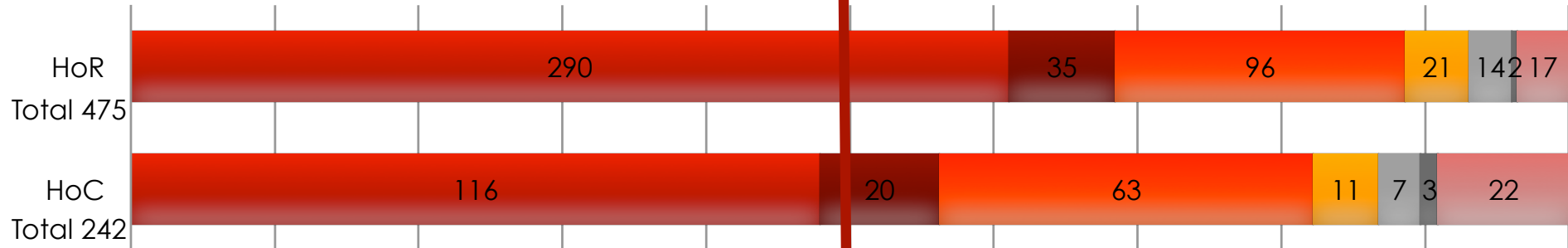
## *Bottom Line*

- LDP will not perform as well in one seat districts as in 2013 but this will be compensated in other districts and a much stronger starting position
- GR Japan predicts LDP will get simple majority in the upper house for the first time since 1989
- The coalition will be 13 seats short of super-majority but a pro-constitution revision forces could gain enough numbers
- Even Low-end alternative leaves LDP/Komeito with stable majority
- Opposition strategy of joining forces, unlikely to pay off

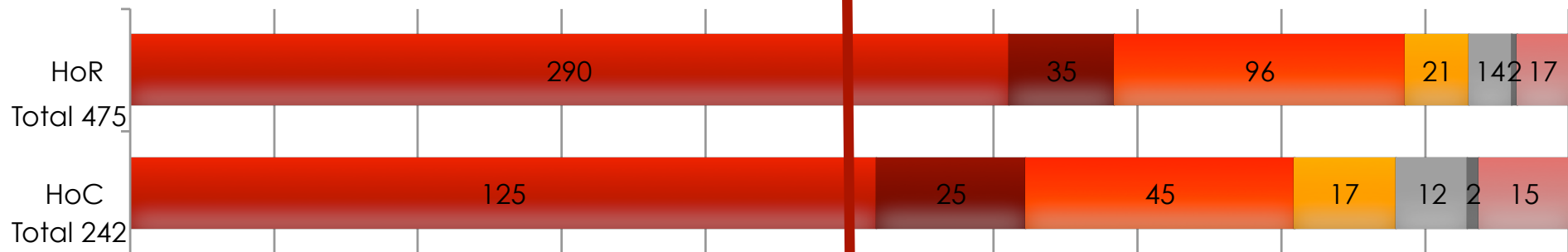
# Stability likely to improve



Current number of each party

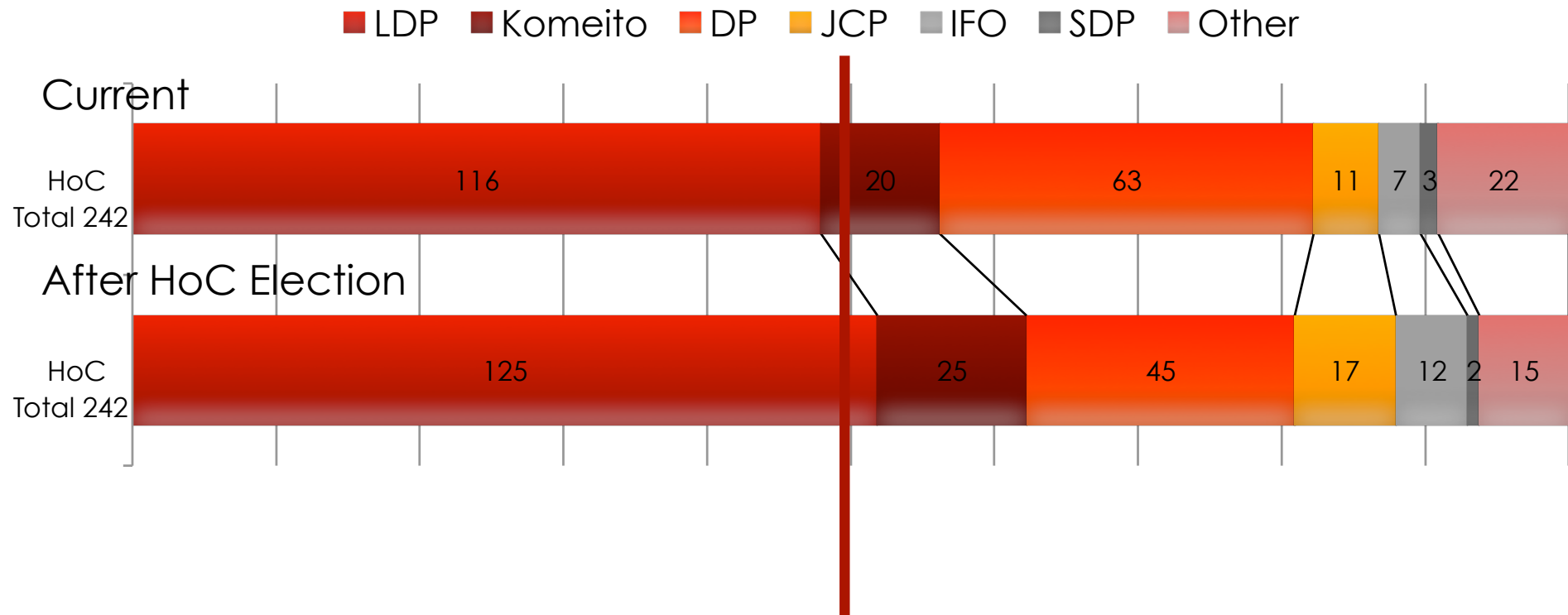


After HoC election



■ LDP 
 ■ Komeito 
 ■ DP 
 ■ JCP 
 ■ IFO 
 ■ SDP 
 ■ Other

# Upper house



# Agenda

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## Electoral Platform – LDP



### Economic and fiscal policies:

- Put in place **comprehensive economic measures** package, including government spending and accelerated structural reform, by this fall
- **Raise consumption tax rate to 10% in October 2019**
- Achieve **600 trillion yen nominal GDP** target through virtuous circle of growth and distribution at local and national levels
- Leverage government “top sales” of infrastructure exports
- **Review intellectual property regulation** to fit with the digital era
- Set a goal to 1 trillion yen in farm and fisheries exports in 2020
- Realization of roadway networks that serve as indispensable infrastructure for local economies, including smart **IC technology** and “**Michi-no-Eki**” roadway stations (ITS)

### Promotion of ICT:

- Leverage **IoT, Big Data, AI** for automated driving, smart factories, etc. to achieve world’s most advanced society, create revolutionary business models and solve social issues
- **Proactively introduce ICT to regional economies** and promote use in sectors such as agriculture, health care, education, employment, traffic (ITS), disaster prevention and local government
- Create an environment that promotes open innovation to establish **a FinTech ecosystem** to proactively support the production, growth and international standardization of global FinTech originating in Japan

## Electoral Platform – LDP



### Tourism:

- Achieve **40M overseas visitors** and 8 trillion in inbound travel spending by 2020
- Establish **Integrated Resorts**
- Crack down on illegal “**Minpaku**” (**home sharing**) providers while relaxing regulations and creating new rules to address the imbalance between supply and demand
- Strengthen inbound tourism promotions, strategically relax visa requirements, leverage ICT to increase tourism productivity
- Attract low cost carriers, enrich the customs immigration quarantine system and improve the environment for business jets

### Energy and environment:

- Maximum implementation of **energy efficiency and renewable energy**, reduce reliance on nuclear power through higher efficiency thermal power generation
- **Restart nuclear reactors** under the strictest safety regulations in the world
- Support construction of **high quality wooden houses**
- Enact proposed legislation to eliminate power poles, foster public awareness and promote a public environment free of power poles and power lines



## Electoral Platform – LDP



### Labor and employment:

- Enable more women to become permanent full-time employees, promote equal pay for equal work and support women wishing to boost their skills
- Strengthen response to sexual harassment and maternal harassment
- Support increased labor productivity and raise the weighted average **national minimum wage to 1000 yen per hour**.
- Remediate the wage differential between regular and non-regular employees through the realization of equal pay for equal work
- Establish a system for **employing foreign labor** for sectors in which the shortage of Japanese labor could have serious effects on society

### Other:

- **Strengthen cyber security**
- Protect the nation's honor and territorial integrity through historical and academic research supporting Japan's claims to contested islands
- Achieve **a zero pollen allergy society** through replanting of forests as well as promoting development and commercialization of pollen dispersion prevention technologies
- Address three basic human rights issues: hate speech, age discrimination and Dowry discrimination
- Promote correct understanding of gender identity and sexual orientation. All ministries should cooperate to create an environment that accepts diversity



## Electoral Platform – Komeito

Economic and fiscal policies:

- Aim to realize 2% growth in real GDP and 3% growth in nominal GDP over the mid to long term
- Delay consumption tax hike until October 2019, and smoothly implement a lower tax rate for foods and beverages
- Prompt ratification of **Free Trade Agreements**, including the Trans Pacific Partnership (TPP), the Japan-Korea-China Free Trade Agreement (FTA), East Asia Regional Comprehensive Economic Partnership (RCEP), the Japan-EU Economic Partnership Agreement (EPA), etc.
- Implement policies that aim to take advent of latent demand abroad such as the achievement of agricultural exports of 1 trillion yen and the strategic export of infrastructure
- In order to build an international center for exports and investment, reduce the cost and lead time for distribution by constructing ports and facilities, and **simplify regulations and procedures pertaining to foreign companies as a means of boosting foreign direct investment**
- Consider simplifications and **revisions to the automobile tax to lower the burden on automobile users**
- Proceed with plans for **linear central shinkansen** and accelerate construction of railway infrastructure



## Electoral Platform – Komeito

### Energy and environment:

- Aim for swift realization of **global warming countermeasures** called for under the Paris Accord
- **Maximize implementation of renewable energy** and superior energy saving technology to reduce greenhouse gas emissions
- Do **not approve new nuclear power plants and aim for a zero nuclear energy society**
- Popularize **automobiles that run on fuel cell batteries**, strongly promote the establishment of hydrogen stations and take measures to make the business self-sufficient

### Labor and employment:

- Make it easier for families to take holidays and **increase the number of paid holidays** as a means of boosting tourism demand
- Increase incomes by raising the **minimum wage for labor to a weighted national average of 1000 yen** per hour and promote full-time permanent employment
- Bolster support for businesses initiated by women

### Low birthrate:

- Provide matching support and information and consultation services to assist young people who wish to get married
- Provide **financial assistance for infertility treatment**, low-income subsidies for school lunches and free medical care for children, and make pre-school education free-of-charge
- Accelerate the transition from interest bearing student loans to no interest scholarship funds



## Electoral Platform – Komeito

### Healthcare and social security:

- Promote “data health” using an insured person’s health data, introduce incentive measures in awarding health care points to promote disease self-prevention and health building measures
- **Achieve 50% cancer screening rate, promote palliative care, create an environment in which cancer patients can continue working and promote cancer education**
- **Support research and development into immunotherapy**, the so-called 4<sup>th</sup> cancer treatment
- Conduct **anti-smoking campaigns at Olympic and Paralympic** sports venues
- Strengthen comprehensive society-wide support for Alzheimer’s disease patients and their families
- Promote stronger countermeasures for combatting rare diseases, increase the scope of targeted rare diseases
- Support funding for conducting cutting edge research and development, approval testing and acquisition of researchers with specialized knowledge pertaining to the swift and safe implementation of iPS cells for regenerative therapy
- Shorten the pension qualification period from 25 year to 10 years

### Other:

- Promote tourism to quake affected areas of Kyushu in order to speed up local economic recovery
- Improve relations with China and Korea, including advancement of strategic reciprocity
- **Improve public wireless LAN infrastructure** and encourage more companies to participate in order to reduce the cost and improve the convenience of cellular phone service
- Make revisions to the special legislation on gender dysphoria and improve medical, workplace and school environments for individuals with gender dysphoria
- Realize society in which no one is overcome by the urge to commit suicide

## Electoral Platform – DP



### Economic and fiscal policies:

- Implement self-sacrificing administrative reforms to reduce needless government spending
- Stop the implementation of a reduced tax rate which favor the wealthy, and introduce tax breaks with benefits in order to give back to mid to low income earners
- Urge the Bank of Japan to drop its policy of setting negative interest rates
- Practice safer management of the pension fund by decreasing investments into stocks
- Reform the tax system to reduce inequality
- Lower the bar for market entry and entrepreneurship by spreading successful cases of “Special Economic Zones” across Japan
- Do not approve new nuclear power plants and aim for “zero nuclear power plants” by 2030
- Promote measures against global warming with the goal of securing 30% renewable energy and 30% reduction in CO2 emissions
- Enact a law to make the income guarantee system for individual farming households permanent
- Oppose TPP agreement in its current form as the 5 sensitive agricultural products were not sufficiently protected and benefits to the automobile industry are small
- Lower automobile tax and encourage the use of freeways to boost local economies

## Electoral Platform – DP



### Labor and employment:

- Subsidize half of the increased social security costs incurred by small and medium companies that increase the number of full-time employees
- Increase the **minimum hourly wage to 1,000 yen**
- Enact a law to implement “equal pay for equal work”, and prohibit wage discrimination and unfair treatment with no legitimate reason
- Incrementally expand the types of workers eligible for employees' pension and health insurance schemes
- Introduce measures such as **raising the retirement age** and continued employment, in order to give older people who wish for it the opportunity to keep working

### Healthcare and social security:

- Financial assistance for children in compulsory education and scholarships for university education
- **Raise nursery staff pay by 50,000 yen per month** and recruit more nursery staff, while maintaining quality
- Implement enhancements to pension, healthcare and nursing care and childcare support systems in April 2017 as planned, before the delayed consumption tax hike in 2019
- Expand **support to single-parent families** by extending childcare allowance to the age of 20 and raising benefits for the second child onwards to 10,000 yen per month
- **Introduce a cap on overall copayments** for the combined cost of healthcare, nursing care, childcare and disability support
- Increase pension payouts and shorten the pension qualification period from 25 year to 10 years

## Electoral Platform – DP



### Other:

- Contribute to international peace by **revising the PKO Act** etc.
- Strengthen national security in cooperation with the US, and continue to negotiate and appeal to international audiences regarding territorial disputes
- **Annul the security laws enacted last year**
- Map out a future-oriented constitution with the people, while opposing the revision of Article 9
- **Guarantee the public's right to know by revising the State Security Law**
- Improve the tax system for NPOs etc. so that private initiatives to tackle social issues can be financially viable
- Aim to have an equal number of male and female politicians in the Diet
- Allow **separate surnames for married couples**
- Introduce **a law to resolve discrimination against LGBT** individuals
- Prohibit discrimination against people with disabilities

## Electoral Platform – Initiatives from Osaka



### Political and administrative reform:

- Establish a **constitutional court** so that politicians and government officials will not be permitted to arbitrarily interpret the Constitution.
- Reduce **remuneration of assembly members by 30 percent and parliamentary research expenses by 15%**
- Relax Diet submission requirements in order to **stimulate member backed bills**, allocate time for discussion of private member bills
- Replace laws establishing ministries with Cabinet orders; enable the Cabinet to flexibly restructure the ministries
- Establish a **Revenue Agency (merge the National Tax Agency with the collections division of the Japan Pension Organization)** to handle joint collection of taxes and social insurance premiums
- Introduce a **direct election of Prime Minister** as a future issue
- **Divest all stockholdings in government corporations** such as JT, Japan Post, NTT, JFC, DBJ and JBIC
- Enact legislation designating Osaka the nation's secondary capital.
- Transition from a centralized authority to **a federal system by which prefectures are integrated into 7 or 9 regional states**
- **Make consumption tax a local tax**, position it as mainstay revenue for local self-sufficiency and allow each region to set the tax rate



# Electoral Platform – Initiatives from Osaka



## Promotion of ICT:

- Create a competitive environment leveraging revolutionary technologies such as Internet of Things (IoT), Big Data, robots and Artificial Intelligence (AI)
- Proactively participate in shared global platforms for the popularization and practical implementation of IoT and AI
- **Promote digitization of medical records** and implement regulatory reforms to support remote medical diagnosis
- Promote pilot programs on public roads to **accelerate the realization of automated driving systems**
- Revise face-to-face and in writing principles for government-citizen interactions and **accept internet protocols in lieu of face-to-face interaction**

## Healthcare:

- Introduce a mechanism for adjusting the supply and demand balance for medical services when assigning points for medical compensation
- **Remove the prohibition on mixed medical examinations** to enable patients to receive advanced medical care as appropriate
- Reform the medical and social welfare incorporation system to **enable stock based companies to enter the medical therapy market**
- **Open healthcare to further foreign competitions**
- Establish a **medical copay percentage differential based on income**, not age.
- Provide equivalent medical care and caregiving in regional areas and create a foundation for in-home medical care beginning with deregulation of care for cancer patients
- Regulatory reform to allow **private sector managers other than doctors to handle hospital management**

## Electoral Platform – Initiatives from Osaka

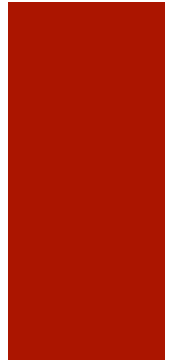


### Other:

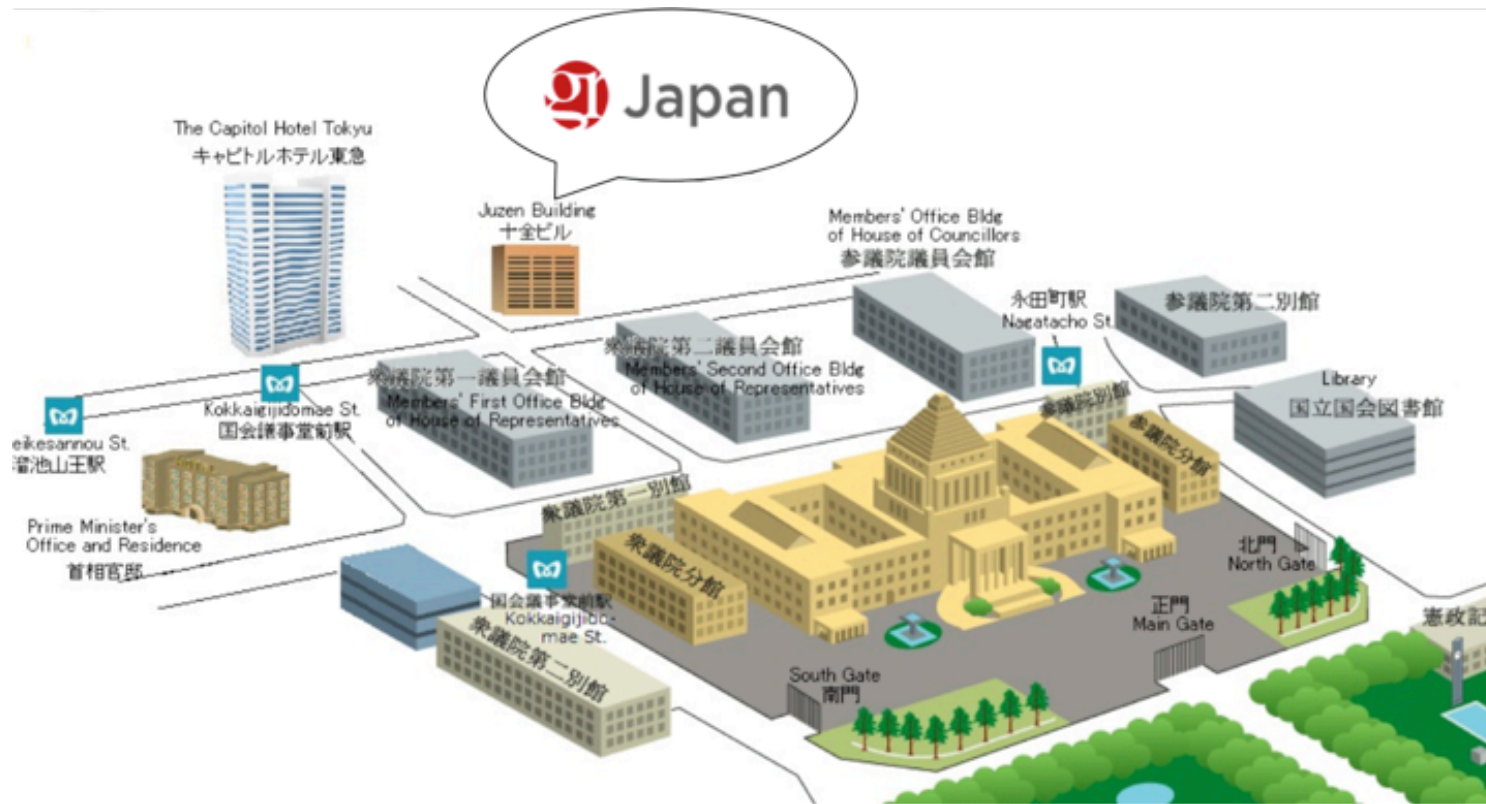
- Create an “equal opportunity society” by making preschool, high school, university, graduate school and **vocational education free-of-charge**
- **Establish Integrated Resorts**
- Promote **equal access to the power grids**, expansion of market function in the electrical power market, expand renewable energy
- Environmental industry - such as solar power and wind power - and the tourism industry can become powerful industries for increasing regional production
- **Promptly ratify the TPP treaty**, take proactive leadership in pursuit of Asia-Pacific free trade, including RCEP, Japan-China-Korea FTA, and Japan-Europe EPA/EIA, proactively build regional economic partnerships and establish a TPP countermeasures fund to resolve domestic TPP-related issues
- Revise the Electromagnetic Wave Transmission and Radio Law to facilitate **auction of frequencies**

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- Stability and no elections in coming two years is likely to bring back focus on Economy and, hopefully, regulatory reform
- ICT promotion bill, I.R. bill, and next round of Special Economic Zone regulatory reform, likely to move forward in extra-ordinary Diet session
- Government likely to quickly propose economic stimulus package early in the autumn with plenty of opportunities for new projects in priority areas such as ICT, Renewable Energy, Wooden Houses, Power Poles, etc
- New Infrastructure projects, such as linear Shinkansen, likely to be prioritized
- Energy policy debate will continue and so will efforts to restart nuclear power plants
- New minimum wage of 1,000 yen per hour likely to be introduced
- Postponing of the consumption tax increase will lead to cut back on some of the planned welfare spending such as pension, childcare, etc, and create additional pressure on medical expenses



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