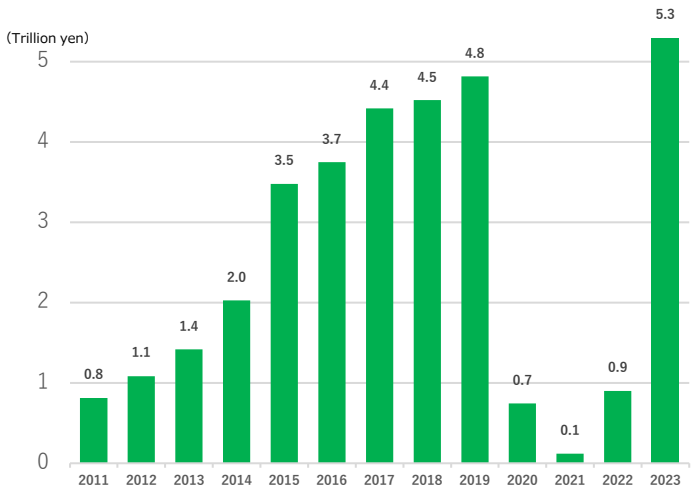
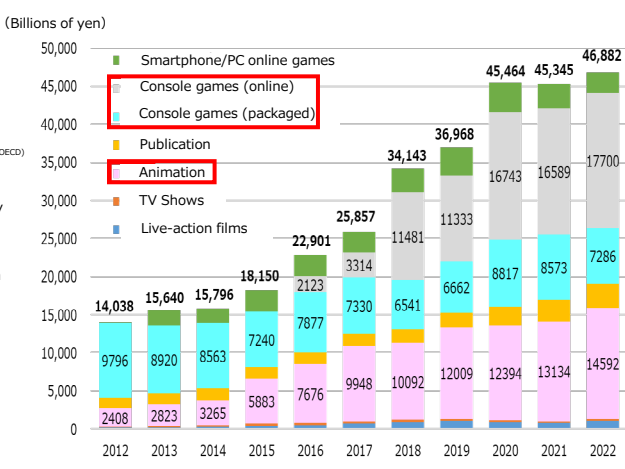
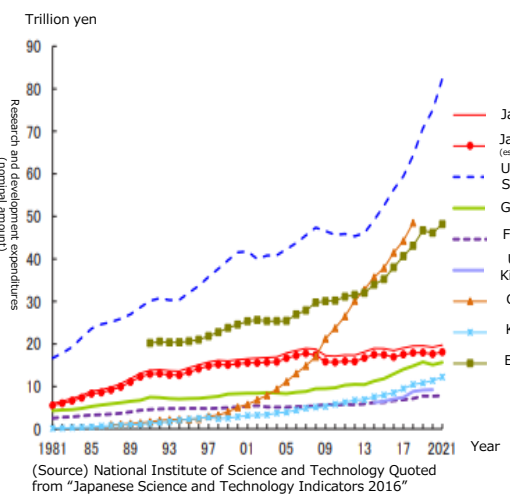

Outline of Intellectual Property Strategic Program 2024

**~Towards Rebuilding of the Intellectual Property
Ecosystem that Creates and Promotes Innovation and
Promotion of the “New Cool Japan Strategy” ~**

June 4, 2024

<Basic Understanding> ~Rebuilding of the IP Ecosystem to Create and Promote Innovation and the New "Cool Japan Strategy"~

- Amidst drastic changes in social and economic conditions, such as the progress of digitalization and DX, wage increases, capital investment, and stock prices have recorded favorable levels, thus providing an opportunity to transform from the "cost-cutting economy" that has continued for 30 years to a "new growth-oriented economy".
 - "IP Strategy" is important to revitalize Japan's economy and innovation and to strengthen international competitiveness, thus efforts should be made in coordination with science technology, and innovation policies and economic and security policies.
- Anime and manga have gained popularity overseas, and travel spending by foreign visitors to Japan and exports of agricultural, forestry and fishery products and food products have reached record highs.
 - Entering the post-COVID era, it is important to promote the overseas development of content, attract inbound travel, and exports of agricultural, forestry and fishery products and food products.
- Increased risks of international political and economic situations against the backdrop of intensifying confrontation between the U.S. and China, prolonged invasion of Ukraine, and other issues.
 - Importance of preventing technology leakage, promoting strategic international standardization, and promoting Cool Japan considering the above-mentioned risks.
- With the rapid development of generative AI, concerns and risks over disinformation, intellectual property rights, privacy and personal information protection, etc. have emerged.
 - Based on global trends such as the consideration of international rules on generative AI (G7 "Hiroshima AI Process"), efforts should be made to address concerns and risks surrounding intellectual property rights and generative AI.



Major Countries Changes in Total R&D Expenditures

Changes in the Overseas Market Size of Japanese Contents and Sectoral Breakdown

Consumption by Foreign Visitors to Japan

Restructuring the IP Ecosystem

In order for Japan to lead the creation of innovation, consider reviewing measures for the overall **creation, protection, and utilization** of IP, including promotion of domestic investment in innovation, prevention of technology leakage, and promotion of strategic use of standards. In addition, considering the strategic development of highly skilled IP **human resources** and their activities.

Creation

- Promoting domestic investment in innovation**
To strengthen the competitiveness of domestic locations and promote R&D, further upgrading of corporate innovation management is necessary, including steady enforcement of the innovation center taxation system (innovation box taxation system) and visualization of the linkage between IP/intangible assets and earnings.
- Value creation through investment in intellectual property and intangible assets**
Promoting business loans, SX promotion of companies, and information disclosure such as impact accounting in order to promote investment and utilization of IP and intangible assets.
- AI and intellectual property rights**
To realize an ecosystem in which the promotion of AI technology advancement and the appropriate protection of intellectual property rights are compatible, fostering a common understanding among the parties concerned and promoting efforts by each entity through a combination of legal, technological, and contractual means.

Human resource

Strategic development and active roles of highly skilled intellectual property human resources

Consideration of the development and utilization of highly skilled IP human resources to realize a virtuous circle in the IP ecosystem. For example:

- Increase the number of PhD holders, promote recruitment and utilization of PhD holders in companies, and promote study abroad programs within companies.
- Strengthen utilization (mobility, etc.) of highly skilled IP human resources.

Protection

- Prevention of technology leakage**
In addition to the actual leakage of technical information, as well as the potential risks that are increasing, consideration will be given to ensuring the effectiveness of systems to prevent the leakage of technology, an urgent issue. For example, •Revise the Protection Handbook for the Unfair Competition Prevention Law (trade secret protection) and disseminate the revision of the article-by-article commentary for clarification of interpretation. •Strengthen efforts to autonomously ensure the soundness and fairness of research (research integrity) at universities and research institutions.
- Strengthening measures against piracy and counterfeit products**
Based on the "Comprehensive Menu for Countermeasures Against Online Piracy" (updated May 2024), effectively working against diversified piracy infringements.

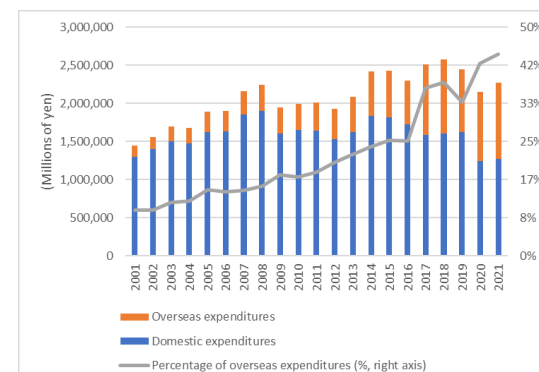
Utilization

- Promoting social implementation through industry-academia collaboration**
Through collaboration with the International Research University System of Excellence and the Project for Strengthening Regional Core and Distinctive Research Universities, steadily disseminate the " University Intellectual Property Governance Guidelines" to all universities in Japan, as well as identify issues and strive to improve them.
- Promoting the strategic use of standards**
•Areas in which international standardization is to be promoted strategically were established based on the impact on Japanese industry, such as economic security, advanced technology, and environmental rules.
•In addition to the areas mentioned above, Japan's National Standards Strategy will be developed into strategic policies and measures by spring 2025 that comprehensively summarize measures to promote behavioral change in the private sector and to strengthen human resources and the ecosystem, thereby reinforcing efforts by the public and private sectors.

- ◆ **Innovation investment is an essential element for sustainable growth and solving social issues, making it important to invest in innovation more strategically from a medium- to long-term perspective.**
- ◆ To invest in innovation from a medium- to long-term perspective, it is necessary **to change the corporate mindset to view R&D as an "asset" formation rather than an "expense".**
- ◆ To strategically invest in innovation, it is necessary **to further advance innovation management by establishing a mechanism to visualize the productivity of innovation investment** within a company.

Current Situation and Challenges

- While growth in R&D expenditures in Japan's national companies has been sluggish, a trend toward shifting R&D overseas has become apparent.
 - Concerns about **declining dominance of R&D** environment in Japan
 - Concerns about **leakage of cutting-edge technology and information overseas**
- **The introduction of the Innovation Box Regime** has been determined in Japan as well.
- The Japanese and European companies that apply international accounting standards **differ greatly in terms of the capitalization rate of development costs.**



(Source) Compiled by the Cabinet Office, Intellectual Property Strategy Promotion Secretariat based on "Science and Technology Research Survey" by the MIC and "Science and Technology Indicators 2023" by the National Institute of Science and Technology Policy
External R&D Expenditures of Japanese Corporations (Domestic and Overseas)

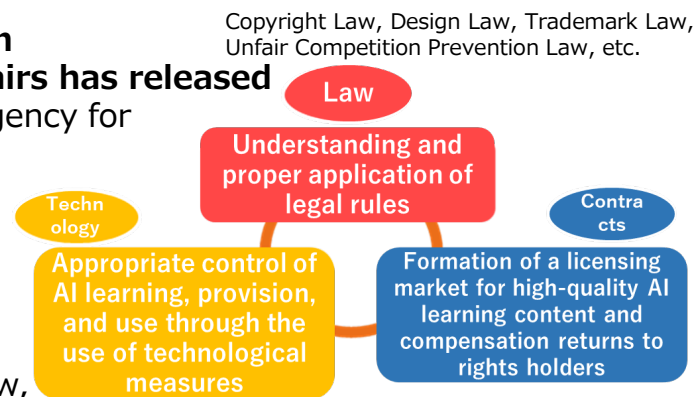
Plans for the future (Direction)

- **Strengthen the enforcement system** including the establishment of procedural rules for the Innovation Box Regime, **formulate guidelines** that explain the system in an easy-to-understand manner so that businesses can actively utilize the system, **disseminate the system** in cooperation with industry associations, and **review the scope of the taxation system.**
- **Promote recognition of the link between IP/Intangible assets and corporate value** by studying trends overseas regarding the Innovation Box Regime, and examining how the value of IP/Intangible assets, etc., should be evaluated.

- ◆ **Need to link with AI-governance efforts** to address the risk of intellectual property infringement.
- ◆ Through collaboration among concerned ministries to **raise public awareness** and **foster a common understanding** that transcends the boundaries between related entities, **we will promote proactive efforts by a wide range of related parties and realize an ecosystem in which the progress of AI technology and the appropriate protection of intellectual property rights are compatible.**

Current Situation and Challenges

- **Increased concern over intellectual property infringement risk due to advances in AI technology and AI's multimodal nature**
- In response to increasing concerns about the risk of intellectual property rights infringement, **the Subcommittee on Legal System of the Copyright Subcommittee of the Council for Cultural Affairs has released a report titled "AI and Copyright Concept"** (March 15, 2024: Agency for Cultural Affairs) and **the Study Group on Intellectual Property Rights in the AI Era issued the "Interim Summary"** (May 2024: Cabinet Office).
- Through AI governance initiatives including safety, fairness, and transparency, AI developers, AI providers, users, rights holders, and other stakeholders need to work together flexibly and collaboratively while appropriately aligning means of law, technology, and contracts in order to realize an ecosystem in which AI technology advances and intellectual property rights are appropriately protected at the same time. The necessity of such cooperation is confirmed.



Plans for the future (Direction)

- **Promote proactive efforts by a wide range of entities involved in generative AI to realize an ecosystem in which the promotion of AI technology advancement and the appropriate protection of IP rights are compatible.**
- Continued measures to clarify the relationship between each IP law and the generative AI (e.g., **easy-to-understand publicity about the relationship between each IP law and the generative AI**).

Strengthening measures against piracy and counterfeit products

- ◆ Due to pirate sites of Japan's attractive contents (e.g., manga, anime), copyright infringement acts have expanded beyond national borders.
- ◆ As a new development, in response to the increasing damage from pirate sites originating and destined for overseas markets, the public and private sectors will work together to strengthen measures against piracy, while enhancing the system in which the government supports the proactive efforts of the private sector.

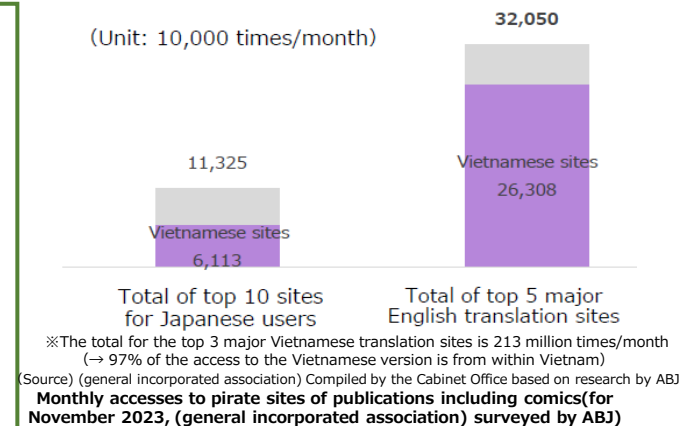
Current Situation and Challenges

<Current Situation>

- Damage from Internet piracy will be approximately 2 trillion yen in 2022 (5 times the 2019 figure)
- Increased damage from pirate sites originating from overseas and destined for overseas markets.

<Challenges>

- Need to address the negative ecosystem of cross-border piracy
- While there are good cases of international cooperation such as in China, intergovernmental efforts and cooperation between the public and private sectors are needed due to the lack of enforcement capacity and legislation of overseas enforcement agencies.



Plans for the future (Direction)

- The public and private sectors will work together to promote initiatives based on the "Comprehensive Menu for Countermeasures against Online Piracy" (updated in May 2024) through a working-level liaison conference of the private sector and concerned government ministries.
- In response to the increasing sophistication and diversity of overseas pirate sites that distribute Japanese content to local people overseas, we are promoting efforts such as raising awareness in local languages through overseas diplomatic establishments, considering ways to provide incentives for providing information on pirate sites, and promoting the distribution of legitimate versions of Japanese content in overseas markets with the aim of promoting a healthy ecosystem.
- In response to illegal and harmful information on the Internet, based on the Law Concerning Information Distribution Platforms, which obliges large-scale platform operators to speed up the removal of such information and make its operational status transparent, we are promoting effective measures, such as developing ministerial ordinances and other systems, clarifying what information distribution constitutes a violation of laws and regulations and infringement of rights through guidelines, and implementing these measures in an appropriate manner.

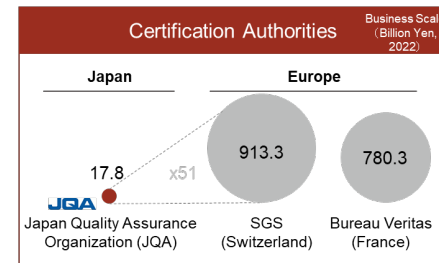
- ◆ Among international rules, **the influence of international standards has expanded enormously in recent years.**
- ◆ In Europe, the U.S., and China, strengthening international standardization efforts is promoted **as a national strategy with focused investment of resources**, also from the perspective of **ensuring economic security** by strengthening international competitiveness.
- ◆ Japan will **develop a national strategy to** comprehensively promote international standardization **by the spring of 2025, and will fundamentally strengthen efforts in the public and private sectors.**

Current Situation and Challenges

- Given the penetration of values that emphasize the resolution of social issues, the transition to a digital society and economy, and the development of advanced technologies, rule formation in various industries, technologies, and other fields is becoming more active worldwide. **Changes in the content and increase in the volume of international standardization have progressed.**
- Japan faces **three major challenges** in responding to international standardization.
 - Need for **behavioral change in industry, academia, and government** (lack of initiatives to use as business strategy, bias toward technical standards)
 - Weaknesses in **human resources, funding, and structure** (aging population, trend toward reduction of response staff and investment funds)
 - Weakness of **support infrastructure for private sector strategic activities** (gaps in size and functions of standardization organizations and certification authorities between Japan and overseas)

Plans for the future (Direction)

- Establish a structure under the IP Strategy Headquarters to **comprehensively promote** international standardization efforts by industry, academia, and **government under the overall control of the entire government.**
- Japan will develop **a national standards strategy** by the spring of 2025, including the following initiatives.
 - **Establishment of representative strategic areas (economic security, environmental rules, advanced technology, etc.)**
 - **Promote behavioral changes in industry, academia, and government (e.g., expansion of strategic initiatives in government R&D projects)**
 - **Strengthen human resources and support infrastructure (ecosystem)**



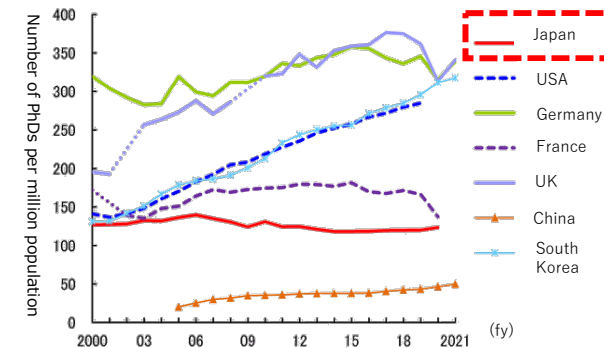
(Source) Compiled by the Cabinet Office, Intellectual Property Strategy Promotion Secretariat, based on data published by each organization.

International comparison of business scale of standardization and certification authorities

- ◆ **PhD holders (doctoral human resources) who can contribute to innovation creation** are indispensable.
- ◆ The number of PhDs per million population **is declining** in Japan.
- ◆ Improvement of **career path prospects for PhDs, financial support, and employment support** to create an environment in which PhDs can play a more active role as pillars of innovative human resources in Japan.

Current Situation and Challenges

- The number of PhDs per million people in Japan is only **30-40% of that** in the U.S., U.K., Germany, and South Korea, for example, and the number is **declining**.
- Major challenges are caused by the **financial burden and uncertainty of career paths** including the following.
 - **Lack of systematic career support** for doctoral human resources
 - **Difficulty in matching** doctoral human resources with companies, etc.



(Source) National Institute of Science and Technology Policy, "Science and Technology Indicators 2023"

Ph.D. holders (doctoral human resources) per million population

Plans for the future (Direction)

- In collaboration with industry, we will discuss **guidance/guidelines for doctoral human resources in the private sector (tentative)**, transparency of doctoral human resources activities, and career support systems for doctoral students.
- We will support universities that provide **financial support** for doctoral students to devote themselves to research and support for the **development of career paths** (such as holding career support seminars and dispatching students overseas) so that doctoral human resources can be active in a wide range of fields, including industry.

[Reference] Doctoral Human Resources Action Plan (March 26, 2024, Ministry of Education, Culture, Sports, Science and Technology)

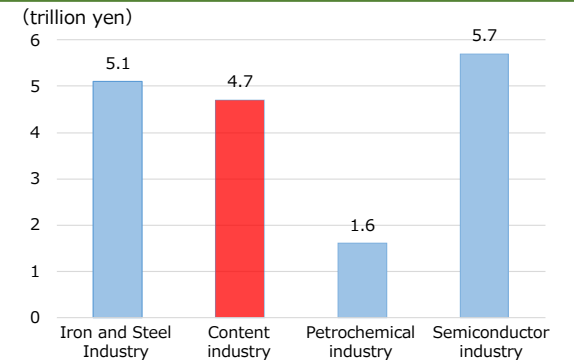
Increase the number of PhDs per million population to top ranks worldwide by 2040 (**approximately 3-fold increase over 2020 level**)

New Cool Japan Strategies and Content Strategies

- ◆ Considering the changes in the environment surrounding Cool Japan as a turning point, we have formulated a **“New Cool Japan Strategy,”** which is based on the premise of the global market and aims to establish a sustainable ecosystem by generating high profits through value-added experiences and high added value, which can be reinvested in the industry.
- ◆ Aim to position the content industry and other Cool Japan-related industries as key industries, and to achieve an overseas development scale of **50 trillion yen** (by 2033).

Current Situation and Challenges

- **Japanese content is popular around the world** (overseas expansion: 4.7 trillion yen (2022)). **Japanese food is becoming popular around the world** (the biggest motivation for visiting Japan). **Diversification and deepening of “Japan fans”** (increase in repeat visitors among inbound travelers).
- Establishment of **target values** and **PDCA cycle**, expansion of **intelligence functions**, transformation to a **digitally responsive business model**, and enhancement of **support and environment for creators** are necessary.



(Source) Compiled based on the following sources
Iron and Steel Industry: “Overview of Steel Imports and Exports” (Japan Iron and Steel Federation)
Content industry: Japan and Global Media × Content Market Database 2023” (Human Media Co., Ltd.)
Petrochemical industry (exports of petrochemical products by country): Interview with Japan Petrochemical Industry Association
Semiconductor industry (semiconductors and other electronic components): “Trade Statistics” (MOF)

Scale of overseas expansion of Japan's content industry (2022)

Plans for the future (Direction)

- **PDCA cycle with the content industry as a key industry (overseas expansion: 20 trillion yen (by 2033)).**
 - Strengthen overseas business development capabilities by enhancing intelligence functions; discover outstanding creators, support their activities, and optimize transactions; strengthen public-private partnerships to combat piracy; and strengthen public-private partnerships.
- **Further promote inbound tourism and exports of agricultural, forestry, fishery, and food by creating high added value, etc.**
 - Creating value-added experiences by taking advantage of local attractions, strengthening art and design functions, developing human resources such as producers, diversifying and developing new markets, and strengthening information dissemination such as “top sales”.

Overall picture of the Intellectual Property Strategic Program 2024

1. Creation of Intellectual Property

- Promoting domestic investment in innovation
- Value creation through investment in intellectual property and intangible assets
- AI and Intellectual Property Rights

2. Protection of Intellectual Property

- Prevention of technology leakage
- Strengthening measures against piracy and counterfeit products

3. Utilization of Intellectual Property

- Promoting social implementation through industry-academia collaboration
- Promotion of a Standard Strategic Utilization
- Achieving a Digital Archiving Society and Establishing Data Circulation/Utilization Environment

4. Strategic development and active roles of highly skilled intellectual property human resources

- Human resource cultivation and mobility in R&D
- Content development and cultivation of human resources for utilization
- Strengthening the human resource base supporting intellectual property utilization

5. New Cool Japan Strategies and Content Strategies