

Basic Policy on Economic and Fiscal Management and Reform 2021

June 18, 2021
Cabinet Decision

The content of the Basic Policy on Economic and Fiscal Management and Reform 2021 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal Management
and Reform 2021

Four Driving Forces that Open the Way to the
Future of Japan

—Green, Digital, Creation of Vibrant Local
Regions, Measures against Declining Birthrate—

June 18, 2021

Basic Policy on Economic and Fiscal Management and Reform 2021

(Table of Contents)

Chapter 1 Overcoming Novel Coronavirus Infection and Vision of Post-Corona Economic Society _____ 1

1. **Current status and challenges of the economy**
2. **Change and structural reform toward the future**
3. **Vision of post-Corona economic society**
4. **Efforts to overcome infection and promote a virtuous economic cycle**
 - (1) Building a resilient and reliable economic society against infectious diseases
 - (2) Acceleration and expansion of the virtuous economic cycle
5. **Disaster risk reduction, and national resilience, Reconstruction from the Great East Japan Earthquake, etc.**
 - (1) Disaster risk reduction, and national resilience
 - (2) Reconstruction from the Great East Japan Earthquake, etc.

Chapter 2 New Sources of Growth that will Lead the Next Generation —Four Driving Forces and Building a Foundation— _____ 9

1. **Realization of a green society**
 - (1) Stimulating private investment and innovation through Green Growth Strategy
 - (2) Energy and resource policies toward decarbonization
 - (3) Utilizing carbon pricing that contribute to growth
2. **Acceleration of digitalization by the public and private sectors**
 - (1) Establishment of digital government
 - (2) Acceleration of DX in the private sector
 - (3) Development of digital human resources, elimination of digital divide, cybersecurity measures
3. **Revitalizing Japan as a whole through the creation of vibrant local regions: Development of new regional revitalization and building of decentralized land**
 - (1) Promoting the new flow of people to rural areas
 - (2) Creation of dynamic mid-sized enterprises, SMEs, and microenterprises
 - (3) Boosting economy through wage increases
 - (4) Revitalization of tourism and inbound
 - (5) Turning agriculture, forestry, and fishery industries into growth industries including

- export growth
 - (6) Promotion of sports and cultural arts
 - (7) Acceleration of multi-core cooperation based on smart cities
 - (8) Building of decentralized nation and regional development making use of individuality
- 4. Overcoming the declining birthrate and realizing a society that makes it easier to have and raise children**
- (1) Realizing a society that grants wishes to get married and have a baby as well as making raising children easier
 - (2) Creating an environment to ensure the security of children who will bear the future and measures against child abuse
- 5. Building a foundation to support the four driving forces**
- (1) Realization of high-quality education and promotion of innovation in the digital age
 - (2) Active participation of women
 - (3) Active participation of young people
 - (4) Strengthening safety nets, measures against loneliness and isolation, etc.
 - (5) Implementation of work style reform to realize a variety of working styles, and enhancement of recurrent education
 - (6) Ensuring economic security, etc.
 - (7) Strengthening strategic economic partnerships
 - (8) Promotion of FDI in Japan to strengthen growth potential, acceptance and coexistence of foreign nationals
 - (9) Enhancing diplomacy and security
 - (10) Realization of safe and secure lives

Chapter 3 Integrated Economic and Fiscal Reforms to Overcome Problems Revealed while Dealing with Infections —34

- 1. Progress and results of integrated economic and fiscal reforms and problems revealed while dealing with infections**
- 2. Social security reform**
 - (1) Construction of a new mechanism on the occasion of infections
 - (2) Looking at the entry of the baby boomer generation into the latter-stage elderly, strengthening the foundation and reforms to social security system for all generations
- 3. New division of roles between national and local governments, etc.**
- 4. Reform of education, science, and technology in response to digitalization, etc.**
- 5. Reform of social infrastructure development to enhance productivity**
- 6. Tax reform in response to structural changes in the economic society**
- 7. Establishment of a framework for further promotion of integrated economic and fiscal reforms, and promotion of Evidence-based Policy Making (EBPM)**
- 8. Structural reform and external economic relations toward the future economic society**

**Chapter 4 Economic and Fiscal Management for the Immediate
Future and Guiding Principles in Budget Formulation
for FY2022** **44**

1. Economic and Fiscal Management for the Immediate Future
2. Guiding Principles in Budget Formulation for FY2022

Chapter 1 Overcoming Novel Coronavirus Infection and Vision of Post-Corona Economic Society

1. Current status and challenges of the economy

(Environmental changes surrounding Japan)

The world economy, which experienced its worst postwar slump last year, is moving forward again. Not only economic recovery, but also dynamic changes affecting the global economic structure and competitive environment are taking place, such as moves toward achieving carbon neutrality, rapid progress in digitalization and data utilization, and new developments in international trade relations and international order. Each country is making the utmost efforts to normalize its economy as soon as possible and to cope with these changes.

Also in our country, the Government has taken all possible measures to protect people's lives, livelihoods, and employment from the severe impact of the novel coronavirus infections (hereinafter referred to as the "Infections"), including the adoption of the supplementary budgets of the last fiscal year three times and the use of reserve funds in the budget of this fiscal year, thus supporting people's livelihoods and the economy and keeping the unemployment rate at the lowest level among major industrialized countries.

On the other hand, demographic trends are expected to further advance in the face of a declining birthrate and an aging population. In the future, it is necessary to take all possible measures against the Infections, and to respond decisively and speedily to such rapid and major changes in the world as a whole.

This is not an easy task, but it is necessary to accelerate the pace of reform in line with this Basic Policy in order to realize an economic society in which each person can feel affluence while achieving steady results as a major player in the world.

(Challenges facing economic management for the immediate future)

The Government will continue to do its utmost to prevent the spread of infections and to support business, employment, and the lives of the people through flexible macroeconomic management, while strengthening the medical care provision system and promoting vaccination. These efforts provide a solid foundation for expanding economic activities, and encourage investment for further demand and growth while overcoming the Infections. In light of the accelerating pace of global economic recovery, Japan will ensure economic recovery by mobilizing all possible measures while taking in external demand with a strong determination not to return to deflation. We will promote the smooth movement of labor to growth fields while securing employment, maintain and expand the momentum for wage increases, and implement macroeconomic policy management with the aim of creating a virtuous cycle of growth, employment, and income growth.

At the same time, the Government will continue to provide meticulous support to women, non-regular employees, needy people, and lonely or isolated people who have been severely affected by the Infections and will implement policy management with careful attention so that infections will not lead to widening and fixing of disparities.

2. Change and structural reform toward the future

While the Infections pose a very severe challenge, we are also seeing major changes for the future, such as changes in work style and business models with digital technology, growing awareness of environmental issues, and signs of change in the concentration in Tokyo. The Japanese economy's structure, which has been considered rigid, and our mindset has started to change. In particular young generation and young companies such as venture companies are challenging to changes through free thinking that is not bound by past experiences of success, which gives us a good opportunity to vigorously deal with the challenges we have not been able to tackle so far.

Globally, changes that is not an extensions of the past have occurred, such as the acceleration of green and digital investment and corresponding rapid changes in economic

and industrial structures, the pursuit of an economic structure resilient to global shocks such as the Infections, and the shift to supply chains with an emphasis on economic security, and these changes require strategic industrial policy looking ahead to the future.

In light of these changes at home and abroad, our country must strategically carry out structural reform of its economy and lay the foundation for sustainable post-Corona growth. To this end, Japan will actively utilize economic partnerships such as the Trans-Pacific Partnership (TPP11) Agreement to capture overseas demand, expand outward and inward direct investment to improve our country's earning capacity, maintain a stable current account surplus, thereby maintaining a macroeconomic structure resilient to shocks.

(Pushing forward the four driving forces of growth)

Since the inauguration of the Suga Cabinet, the Government has indicated the direction of reform that Japan should take, including a declaration of net-zero by 2050, the creation of Japan Digital Agency to serve as a control tower for digital reform, measures to cope with the declining birthrate such as the application of insurance for fertility treatment and support for child-rearing, and regional revitalization with an emphasis on raising local incomes.

The next challenge is to embody and powerfully promote policies in line with the direction above, and to accelerate investments that will lead to sustainable post-Corona growth. To this end, we will focus on promoting investment in greening, digitalization, raising incomes in rural areas, and supporting children and raising children. We will answer long-standing challenges and lead the world by achieving strong growth. This will encourage bold investment and innovation in the private sector and realize a transformation of the economic society structure.

At the same time, the Government will promote the creation of a foundation to support growth, such as human resource development for a new era, work style reform that can enhance both the motivation and productivity of workers, reinforcement of safety nets, and construction of resilient supply chains. We will increase value-added productivity in our country and build an inclusive society in which no one is left behind.

(Firmly maintaining the fiscal consolidation)

Under the concept of "the economy is the foundation of public finance," the Government will work hard to overcome deflation and revitalize the economy as well as to restore fiscal consolidation. The Government will promote economic growth through priority investment in fields that will be the driving force for new growth, utilization of private funds and human resources, and thorough implementation of wise spending. At the same time, in light of the arrival of the baby boomer generation reaching 75 years of age, the Government will continue to promote reforms to social security system for all generations while balancing benefits and burdens and reducing the increase in burdens on the working generation, ensuring the sustainability of social security, and continuing to promote integrated economic and fiscal reforms, including the establishment of a medical care provision system that can flexibly respond to emergencies, which is a problem revealed while dealing with the Infections, and a review of the division of roles between the central and local governments. Through these efforts, we aim to achieve the goal of realizing a 600 trillion yen economy at an early date and fiscal consolidation.

The Government as a whole will work toward the early implementation of the policies outlined in this Basic Policy, including the compilation process of the budget by the end of this year, institutional revisions, and the conclusion of the direction of medium-to long-term policies by the end of this fiscal year. The governmental agencies in charge of measures will report the progress to the Council on Economic and Fiscal Policy, etc. In addition, the Council on Economic and Fiscal Policy will establish an expert panel to clarify the basic concept for the public and the entire economic society to share the broad direction of structural reform and external economic relations toward the future economic society.

3. Vision of post-Corona economic society

The world is changing on a wide scale and at a rapid pace on the occasion of the Corona pandemic. Changes in the fields of green and digital and new challenges such as economic security are changing the global economic structure and competitive environment dynamically. In addition, we are seeing major changes for the future in Japanese society as well, such as changes in the way people work using digital technology, heightened awareness of environmental issues, and heightened interest in living in rural areas, and new trends and challenges have emerged, such as the active participation of young people and young companies in the world. Meanwhile, various issues facing our country, such as delays in digitalization that are manifested on the occasion of the Infections, have become apparent. We have not been able to achieve results because we have not clearly shown the way to solve the problems we have faced in the past, such as the low potential growth rate and the lack of innovation that leads the world. Unless Japan resolutely and promptly reforms its conventional economic society system with a sense of crisis that “There’s nothing left,” it will be unable to develop a future in which Japan can be filled with vitality and feel affluence, or to lead the world in prosperity.

To this end, the Government will promote activities including green, digital, and human resource development at the micro level, such as the awareness and behavior of individuals, families, and companies. At the same time, the Government will transform the mechanisms and structures of society as a whole, including corporate organizations, working styles, and human resource development that have become out of step with the times, into ones that are flexible in responding to diversity and change and that have resilience, and will accelerate the movement toward a post-Corona society.

In doing so, it is particularly important to draw out the power of human resources, which are our country’s greatest resource. Through “Human New Deal” in which the Government boldly invests in human resources and carries out institutional reforms to provide encouragement in the private sector, the Government will stimulate creativity and investment in the private sector and create a major wave of human resource development throughout the society. We aim to enable young people with motivation and ability to play an active role and to advance their careers while accumulating various experiences. The Government will eliminate the wage gap between men and women by strengthening support for women’s career advancement, and promote women’s active participation in various fields, including science. It is important to radically expand recurrent education so that everyone can relearn at any time, and to develop human resources who can play an active role in various fields without being bound by such practices as the seniority system and the internal-career favoring system by changing jobs and starting new businesses, while improving their careers, and to develop human resources who can play an international role.

Based on this perspective, we will promote the economic and fiscal management and structural reforms described above, aiming to achieve the following economic society’s goals.

○ Society that creates a strong economy and continues to be reform and innovation-oriented

Through innovation and reform in green and digital technologies, and the active participation of diverse human resources such as women and young people, our country will create a strong economy and continue to be a country that is oriented toward reform and innovation, while making the most of its soft power. We will achieve net-zero by 2050 in collaboration with other countries in tackling decarbonization challenges, which must be solved by the entire human race, and in leading the sustainable growth of the international community. We will become a leading digital nation and realize Society 5.0 by developing a free and open digital space while ensuring cybersecurity. We will realize a society in which it is easy to raise children with peace of mind by steadily promoting the establishment of social security system for all generations, the elimination of children on waiting lists, and the support of fertility treatment, etc., and realizing the wishes of marriage and childbirth. As diverse and flexible working styles advance and it becomes possible to relearn at any time, we will realize a society in which diverse human

resources, including women, young people, and middle-aged and older people, will demonstrate their abilities and play an active role while enhancing their engagement¹, and such human resources will also play an active role in rural areas through regional migration and dual habitation, maintaining and developing their vitality.

○ An inclusive society in which no one is left behind

We will strengthen various safety nets, prevent widening and consolidation of disparities, and build an inclusive society in which no one is left behind. We aim to stabilize employment throughout society by eliminating the distinction between regular and non-regular work styles and allowing anyone to relearn and take on new challenges at any time and repeatedly. As the roles of NPOs and other organizations greatly expand and their cooperation with local governments advances, persons in charge of mutual assistance and public assistance diversify, and detailed services tailored to each individual are provided to the needy and those who are lonely or isolated. By eliminating the digital divide and fully utilizing digital technology, we will provide push-type support matching individual circumstances to those in need in a timely manner.

○ A country that demonstrates leadership in establishing a post-Corona international order and global rules

We will respond strategically to structural changes in the global economy centering on greening and digitalization, and establish the rule of law in the international community. We will demonstrate leadership in responding to global issues such as climate change, forming a post-Corona international order, and developing global rules in the digital field. We will expand the free and fair economic order, work to further strengthen the rules-based multilateral free trade system, build resilient supply chains, and actively incorporate global economic development into growth. We will realize a “Free and Open Indo-Pacific,” maintain and strengthen a free and open maritime order, and play a leading role in world peace and prosperity.

4. Efforts to overcome infections and promote a virtuous economic cycle

(1) Building a resilient and reliable economic society against infections

In responding to the Infections, we will thoroughly implement measures based on the basic principle of preventing the spread of infections while continuing socioeconomic activities and suppressing the occurrence of serious cases and deaths as much as possible. We strengthen the system for providing medical services to respond to the Infections, and ensure that a series of measures are carried out without clogging, from consultation, examination, and checkup to adjustment and transfer of medical facilities, transfer, discharge, and release from hospital, and that beds and accommodation facilities are used to the maximum extent.

We promote emergency response under a stronger system and control tower. In the event of a rapid increase in the number of infections in a short period of time, we will immediately switch to a system capable of dealing with the number of patients² expected to double from last winter. In addition, the Government will consider and continue to provide financial support to medical institutions that accept patients with the Infections, including measures to cope with declining revenues, as well as support for securing beds and developing facilities, by examining how medical fees, subsidies, and grants should be used in the future. Based on requests from prefectural governments, a system will be established that enables the use of hospital beds at national, public, and private hospitals, and a system will be established that allows patients to be treated across prefectural borders.

In order to promote the efficient operation of hospital beds in each region, the Government

¹ A concept that indicates the willingness and attitude of a worker to make a voluntary contribution to an organization or work, while the direction of his or her own growth coincides with the achievement of the organization's goals, and the worker feels that his or her work is rewarding and fulfilling.

² The maximum number of new infections per day is the standard, which is set in advance by each prefecture.

will promote the dispatch of doctors, etc., utilizing thorough division of roles and assistance according to medical functions³, and support for changing hospitals in accordance with the actual situation in the region. G-MIS⁴ will be used to comprehensively grasp the status of empty beds according to the severity of illness, the status of possessing and operating ventilators, etc., and the status of recruitment of human resources, etc., and will be used for prompt coordination of patient acceptance, etc. In addition, progress management and visualization of the medical care provision system will be thoroughly carried out, including the rate of hospital occupancy by region, function, and type of establishment.

With regard to vaccines, in order to prevent the onset of the Infections and to reduce the number of deaths and serious cases as much as possible, the Government will promote the vaccination of medical workers, etc., and complete the vaccination of the elderly people who so desire by utilizing large-scale vaccinations, with the end of July in mind. The Government also aims to complete the vaccination of all those who wish to be vaccinated between October and November this year. The Government will continue to support the development and practical application of effective therapies and domestic therapeutic drugs, and strengthen the research and development system and production system for domestic vaccines, and will steadily promote the “National Strategy for Vaccine Development and Manufacturing”⁵ in order to strengthen the domestic vaccine development and production system in preparation for new infectious diseases. The Government secures the necessary financial resources in a stable manner.

In light of the situation surrounding the Infections, the Government will promptly consider legal measures to enable the national and local governments to promptly request and instruct cooperation in securing hospital beds and medical personnel while taking into account the management risks of individual medical institutions, to enable the early commercialization of therapeutic drugs and vaccines, including development support in normal times, while appropriately evaluating their safety and effectiveness, and to enable the Government to take more effective measures against the Infections emergencies, such as ensuring a vaccination system. At the same time, the Government will strengthen its administrative system.

Although small waves of epidemics may occur in the future, effective infection prevention measures will be continued and thoroughly implemented based on the experience in the period of infection expansion and knowledge in Japan and overseas so that they do not develop into large-scale epidemics. Measures such as requests to shorten business hours will be taken in a flexible manner, while promoting strategic surveillance of infection cluster prevention measures such as thorough implementation of guidelines for eating and drinking with a high risk of infection, dissemination and utilization of certification systems through third-party certification, utilization of AI simulations, etc., active utilization of QR codes, etc., testing for persons with mild symptoms through the use of simplified antigen kits in facilities for the elderly, universities, high schools, etc., and workplaces from the viewpoint of preventing cluster enlargement, implementation of PCR testing for a wide range of contacts at the time of finding a person testing positive, promotion of monitoring testing for asymptomatic persons in downtown areas, enterprises, schools, etc., based on infection risks, and implementation of targeted PCR testing when signs of infection spread are detected. In preparation for the spread of infections in the future, the Government will develop a testing system to sufficiently meet the testing demand⁶. With regard to measures against mutant strains, the Government will further strengthen nationwide monitoring systems using screening tests and genome analysis, and active epidemiological surveys utilizing HER-SYS⁷, as well as strengthening border measures.

From the viewpoint of curbing the flow of people, the Government will promote the disclosure of the implementation status of the reduction of the number of workers on the

³ Severe, moderate, and convalescent patients, overnight care, and home care.

⁴ Medical institution information support system.

⁵ Cabinet decision on June 1, 2021.

⁶ Based on the testing system development plan prepared by municipalities in accordance with the “Guidelines for the development of testing systems for novel coronavirus infections” (April 1, 2021 Ministry of Health, Labour and Welfare).

⁷ Information acquisition and management support system for novel coronavirus infected person, etc.

premises through the use of telework by each business operator, and promote visualization by widely disseminating the information.

The Government will strengthen human rights counseling and human rights awareness-raising through the use of SNS regarding prejudice and discrimination caused by the Infections. In addition, the Government will promote surveys and research that will contribute to the recovery of symptoms related to so-called sequelae of the Infections.

(2) Acceleration and expansion of the virtuous economic cycle

In order to accelerate and expand the virtuous economic cycle without putting the Japanese economy back into deflation, the Government will first continue to take priority and effective support measures against the severe economic impact of the Infections without hesitation, and will take all possible measures to ensure the continuation of business operations, secure employment, and support people's livelihoods. Then, in order to realize a self-sustaining economic recovery led by private demand, the Government will promote technological innovation and boldly stimulate private demand in growth fields such as green and digital, and shift the focus of attention from defensive to aggressive policies by strongly promoting positive efforts by business operators to develop new fields, investment in human resources, and smooth labor movement in growth fields, thereby enhancing the productivity of the entire economy and encouraging continuous rises in wages, including raising the minimum wage. As the world economy recovers, while strengthening international economic partnerships, Japan will take in external demand for Japan's growth by promoting exports of SMEs and agricultural and fishery products, revitalizing the inbound economy, and strengthening the business foundations of enterprises that support international transport, such as those related to aviation, airports, and maritime affairs. In addition, while taking into account that the certification of vaccination should not lead to unfair discrimination, the Government will promptly proceed with the review and obtain a final draft.

In order to prevent the spread of infections, support for business continuity will continue through the prompt payment of cooperation money according to the scale of business operators who respond to requests to shorten business hours, etc., and concessional (interest free) loans by government-affiliated financial institutions that will continue until the end of this year. In addition, the Government will steadily strengthen the fiscal base of businesses that are particularly seriously affected, through the use of equity capital and hybrid subordinated loans. At the same time, the Government will give priority to supporting measures to prevent infection and investment to shift to business models with low risk of infection, including telework. The Government will also strongly support corporate challenges to business reconstruction and digital transformation (DX) in response to the new post-Corona economy through steady implementation of subsidies, tax systems, and financial support. In areas where the infection status is stable, the Government will take thorough measures to prevent infection, and first of all, support such as discount programs for tourists in the prefecture will be provided to restore demand that has been severely affected by the Infections.

As support for employment and livelihoods, special measures for employment adjustment subsidies, etc., will continue to be reduced step by step, while taking into account the employment situation, particularly in regions where infection is spreading and enterprises with severe business conditions, while strongly promoting promotion of utilization of subsidies to secure employment through secondment and strengthening matching support, support for the smooth movement of workers to growth fields such as green and digital, long-term care and disability welfare, and areas of manpower shortage by providing trial employment for those who have left due to the Infections, support for job seekers as a safety net, development of an environment where they can learn while working, and support for human investment such as recurrent education. With regard to employment insurance, the Government will consider the financial management of such insurance so that it can take appropriate measures and fully exercise its safety net function. The Government will take all possible measures to support those who are suffering from severe effects of the Infections, such as non-regular employees, by providing support through a multi-layered safety net that supports their lives, including

securing housing, and support their independence by strengthening vocational training aimed at acquiring new skills in the digital field, etc. In addition to providing detailed consultation support, including SNS, to the increasing number of suicides, mainly among women, the Government will continue to strongly support close-knit support through private organizations, etc., for those who face unwanted loneliness or isolation.

We will continue to monitor the infection status and economic impact of the disease, and take necessary measures as needed, depending on the situation, by utilizing the reserve fund for countermeasures against novel coronavirus infections. At the same time, we will continue to implement flexible macroeconomic policies without hesitation toward autonomous economic growth in our country.

5. Disaster risk reduction, and national resilience, Reconstruction from the Great East Japan Earthquake, etc.

(1) Disaster risk reduction, and national resilience

In order to overcome national crises such as imminent large-scale earthquake⁸ disasters, successive meteorological disasters, volcanic disasters, and aging infrastructure, and to protect the lives and livelihoods of the people and to maintain the important functions of society, utilizing experiences from the Great East Japan Earthquake as lessons, as we mark ten years since the disaster, the Government will secure necessary and sufficient budgets based on the “Fundamental Plan for National Resilience”⁹ and will appropriately combine self-help, mutual support, and public support, and will strongly promote integrated structural and non-structural measures, taking into consideration diverse perspectives such as women, the elderly, and the person with disabilities, in line with the new trends such as strengthening efforts against climate change, and the new era of disaster risk reduction, and national resilience¹⁰, which will take shape this year.

As measures against floods, sediment disasters, storm surges, and high waves that are becoming more intensive and frequent due to the effects of climate change, the Government will promote River Basin Disaster Resilience and Sustainability by All that takes an overall perspective of river basin, including the development of levees, dams, SABO dams, sewerage systems, and agricultural reservoirs; forest management and conservation; advance discharge of dams and sedimentation management; improvement of prediction accuracy of stationary linear mesoscale convective systems; utilization of green infrastructure; and collaboration with town (city) development, including land use regulations that take into account disaster risks. Learning from the heavy snowfall in FY2020, the Government will strengthen measures to secure road traffic in the event of heavy snowfall. Building disaster-resistant road, railway, and marine transportation networks will be promoted in light of the damage of the earthquake centered offshore of Fukushima Prefecture in February this year. In addition to accelerating the elimination of utility poles and measures against the aging of infrastructure, the Government will promote disaster risk communication between the government and residents, including from the perspective of pre-disaster recovery, while enhancing regional disaster prevention capabilities by enhancing and strengthening disaster prevention systems and functions such as TEC-FORCE¹¹, enhancing fire service and disaster prevention capabilities including fire corps volunteers, disaster prevention capabilities at shelters such as schools, improving the environment of shelters by taking into account local characteristics such as

⁸ Nankai Trough earthquakes, earthquakes directly beneath the Tokyo metropolitan area, and large earthquakes along the Japan Trench and Chishima Trench (including tsunamis caused by these.)

⁹ Cabinet decision on December 14, 2018.

¹⁰ Efforts based on the “Recommendations for the realization of a new era of disaster prevention and mitigation and national resilience” (May 25, 2021 Recommendations by the WG and Team for Disaster Prevention and Mitigation and National Resilience, Cabinet Secretariat, Cabinet Office.)

¹¹ The abbreviation of Technical Emergency Control Force. Emergency Disaster Response Team. In the event of a large-scale natural disaster, technical support will be provided to the affected local governments to grasp the damage situation, prevent the expansion of damage, and promptly restore the affected areas.

measures against complex disasters and heat illness, cooperating between the public and private sector including NGOs, enhancing disaster management volunteers and weather disaster prevention advisors, upgrading disaster-related information using digital technologies such as next-generation meteorological satellites, disaster prevention digital platforms¹² and disaster management IoT¹³, promoting evacuation of people with special needs,¹⁴ and strengthening disaster risk reduction education and medical systems including the use of ships and medical containers.

In order to further accelerate and deepen the efforts under the medium-to long-term goals, the “Five-Year Acceleration Measures for Disaster Risk Reduction and National Resilience”¹⁵ that defines the scale of additional projects required will be promoted, and national land development that will not succumb to disasters will continue to be advanced.

(2) Reconstruction from the Great East Japan Earthquake, etc.

Also during the new reconstruction period, based on the “Basic Guidelines for Reconstruction in Response to the Great East Japan Earthquake From the Second Reconstruction and Revitalization Period,”¹⁶ etc., the Government will work on reconstruction as the most important task of the Cabinet with the Reconstruction Agency as the command tower under the political responsibility and leadership. In areas affected by the earthquake and tsunami, the Government will tackle remaining issues, such as mental care of disaster-affected people. The national government will continue to play a leading role in the reconstruction and revitalization of Fukushima, which requires medium-to long-term measures. We will safely and steadily proceed with the decommissioning of TEPCO’s Fukushima Daiichi Nuclear Power Station and environmental restoration. Efforts will be made to foster understanding in accordance with the policy of handling of ALPS-treated water¹⁷ and to take all possible measures, including additional measures, in order to dispel concerns about unexpected adverse impact resulting from negative reputation. In addition to promoting the return of residents, the Government will promote migration, etc. No matter how long it takes, with an awareness that it is the Government’s responsibility to lift the evacuation orders in the all Restricted area in the future and to reconstruct and revitalize the affected areas, the government proceeds with the improvement of living environment for lifting the evacuation order on the areas outside the specified reconstruction and revitalization base areas, and accelerates the consideration of policies to lift the evacuation order for the areas outside the specified reconstruction and revitalization base areas, while carefully listening to local opinions. Based on the Fukushima Innovation Coast Framework, the Government will promote the experiment of eVTOL (electric Vertical Take-Off and Landing), in order to contribute to industrial development and the establishment of reputation. Based on the “Establishment of International Education and Research Base,”¹⁸ the Government will aim to integrate the International Education and Research Base with existing facilities to the extent possible and achieve synergy effects, and will proceed with the design of a system that will enable long-term and stable operations in terms of financial resources and personnel. The Government will decide on the form of a new corporation by autumn this year and formulate a basic plan for the

¹² A system for collecting, analyzing, processing, and sharing information necessary for disaster response through cooperation between systems.

¹³ A system in which machines collect information on the situation at the site of a disaster by using drones, surveillance cameras, and sensors connected to the Internet.

¹⁴ Including disaster case management in which detailed support is provided to disaster victims based on an understanding of the situation of each individual victim.

¹⁵ Cabinet decision on December 11, 2020.

¹⁶ “Basic Guidelines for Reconstruction from the Great East Japan Earthquake After the Reconstruction and Revitalization Period” (Cabinet Decision on December 20, 2019) was revised on March 9, 2021.

¹⁷ Water that has been purified to levels below the regulatory standards for safety with regard to radioactive materials other than tritium by means of equipment for removing polynuclear species (Advanced Liquid Processing System), etc.

¹⁸ Decision made by the Reconstruction Promotion Council on December 18, 2020. Based on this, in addition to the above, efforts will be made to clarify the function of the control tower and to promote cooperation with private enterprises, etc.

new corporation within this fiscal year. Based on the revised the Fukushima Plan for a New Energy Society, the Government will further expand the introduction of renewable energy and promote the social implementation of hydrogen, and promote future-oriented urban development. In addition, the Government will accelerate the resumption of farming, provide accurate information on radiation, etc., and verify regulations on food, etc., from a scientific and rational standpoint in order to dispel rumors. We will also make every effort to reconstruct from disasters.

Chapter 2 New Sources of Growth that will Lead the Next Generation — Four Driving Forces and Building a Foundation—

1. Realization of a green society

Our country declared net-zero by 2050 and will take the lead in decarbonizing the world, striving to achieve a balance between stimulating economic growth, preventing global warming, and conserving biodiversity, to fulfill its responsibilities to future generations. Japan has also set a new target to reduce its greenhouse gas emissions by 46% in fiscal year 2030 from its fiscal year 2013 levels. Furthermore, Japan will continue strenuous efforts in its challenge to meet the lofty goal of cutting its emissions by 50%. To achieve this goal, the Government will promote the following three policies: (1) promote policies that contribute to growth through decarbonization; (2) thoroughly make renewable energy a power source; and (3) achieve decarbonization under the leadership of the public sector while securing the necessary financial resources¹⁹.

(1) Stimulating private investment and innovation through Green Growth Strategy

In order to achieve the above targets, the “Plan for Global Warming Countermeasures”²⁰ and “Strategic Energy Plan”²¹ will be reviewed to promote decarbonization that creates a virtuous cycle of the economy and the environment.

Based on the Green Growth Strategy²², the Government will mobilize all available political tools and promote R&D and capital investment in priority industrial fields²³ such as offshore wind power, hydrogen, and storage batteries, in order to bring about changes in industrial structure and the economic society, thereby leading to significant growth and the benefits of people’s lives.

The Government will support private investment toward decarbonization by providing continuous support for ten years to companies taking on ambitious innovation through the Green Innovation Fund²⁴ and utilizing the Investment Promotion Tax System toward carbon neutrality. It will also work on regulatory reform and international standardization that will contribute to the introduction of new technologies. Furthermore, we will attract an estimated US\$30.7 trillion (approx. 3,000 trillion yen) in global environmental investment funds to our country, creating a flow of funds for green, transition, and innovation. Therefore, efforts will be made to enhance the quality and quantity of disclosure based on TCFD²⁵, etc., to realize a green international financial center where transactions such as green bond are actively conducted, and to promote transition finance for industries that are difficult to realize

¹⁹ Refer to other countries’ examples. For instance, the United States seeks to raise financial resources through tax reform, etc. when it tackles climate change.

²⁰ Cabinet decision on May 13, 2016.

²¹ Cabinet decision on July 3, 2018.

²² “Green Growth Strategy through Achieving Carbon Neutrality in 2050” (June 18, 2021).

²³ The 14 priority industrial fields of the Green Growth Strategy are indicated.

²⁴ It was installed by “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope” (Cabinet Decision on December 8, 2020) for about 2 trillion yen.

²⁵ Abbreviation for Task Force on Climate-related Financial Disclosures.

decarbonization in one stride. In addition, research and development of Green GDP (tentative name) will be promoted.

(2) Energy and resource policies toward decarbonization

The “Strategic Energy Plan” will be reviewed on the premise of realizing net-zero by 2050 and the GHG emission reduction target in FY2030. On the basis of the major premise of 3E + S (Safety, Energy security, Economic efficiency, and Environment) principle of energy policy, the Government will strengthen policy coordination and initiatives.

Based on this principle, aiming for decarbonization of the electric power sector, the Government will promote the use of renewable energy as a major power source, work on renewable energy on the top priority, and promote the maximum introduction of renewable energy while managing excessive cost burden and coexisting with local communities. The Government will review location regulations, overcome system constraints, secure flexibility by utilizing storage batteries including EVs and demand responses, and promote bold reforms of the electricity market system. The Government will also encourage steady investment in necessary power transmission and distribution networks and power sources, and improvement of cost efficiency, and real local production for local consumption, such as decentralized energy systems. As for thermal power generation, we will pursue the maximum possible use of CCUS / Carbon Recycling, hydrogen and fuel ammonia for power generation. With regard to nuclear power, while reducing dependence on nuclear power as much as possible, the Government will promote the restart of nuclear power plants with the top priority on safety, and will steadily promote the effective nuclear regulations and the establishment of a nuclear emergency response system, including the securing of evacuation routes²⁶ through road development, etc. The Government will promote research and development and human resource development for the future, including the pursuit of reactors that are excellent in safety.

As for the non-power sector, under the situation that carbon productivity is inferior to that in Europe, energy efficiency will be thoroughly pursued, unused heat²⁷ will be utilized, and electrification based on decarbonization at the supply side will be promoted as the main effort. For thermal demand that cannot be electrified, decarbonized fuels such as hydrogen and Carbon Recycling technologies will also be utilized. For automobiles, the Government will promote the development of EV charging facilities and hydrogen filling stations, strategically promote electrification, which has been slow to spread, and proceed with making SS²⁸ comprehensive energy bases. For housing and buildings, the Government will strengthen energy efficiency measures including regulatory measures, promote ZEH and ZEB²⁹, and also strengthen forest carbon sink measures. The Government will promote the formation of Carbon Neutral Ports for the import of hydrogen, etc. and decarbonization of shipping and aviation fields. In particular, in order to achieve the FY2030 target, the Government will consider a new mechanism for systematically implementing measures over multiple fiscal years. Based on the “Regional Decarbonization Roadmap,”³⁰ the Government will promote the efforts of local governments and citizens in the fields of local communities and livelihoods, and create at least 100 decarbonization leading areas by 2030, and implement priority measures nationwide to thereby bring about a decarbonization domino effect. We will also promote the transition to a circular economy, including the resource circulation for plastics.

While promoting a smooth transition to a decarbonized society, the Government will ensure a stable supply of energy and mineral resources, including development of domestic marine resources such as methane hydrates, sea-floor polymetallic sulphides, and rare earth yttrium rich mud.

²⁶ This includes the facilitation of evacuation through model demonstration projects, etc., and the quality improvement of advanced radiation medical treatment, etc.

²⁷ Unused heat such as factory waste heat and renewable energy heat such as geothermal heat.

²⁸ Abbreviation for service station.

²⁹ Abbreviations for Net Zero Energy House and Net Zero Energy Building.

³⁰ Decided at the Council for National and Local Decarbonization on June 9, 2021.

(3) Use of carbon pricing to contribute to growth

As for economic instruments that use market mechanisms, such as carbon pricing, we will introduce without hesitation those that contribute to growth, so as to strengthen industrial competitiveness and promote innovation and investment.

With regard to carbon credit trading, we will review the existing systems for Non-fossil Fuel Energy Certificates³¹ and J-Credits³² and promote voluntary and market-based carbon pricing in response to growing corporate demand for credits. In terms of carbon taxes and emissions trading systems, we will proceed with specialized and technical discussions on whether it is possible to design a system that will promote investment and contribute to growth in terms of both price signaling and revenue generation, while taking into account the added cost borne by companies. With regard to carbon border adjustment measures, we will respond strategically after clarifying our country's basic thinking.

2. Acceleration of digitalization by the public and private sectors

The Government will develop infrastructure of the digital age at a stretch in the public and private sector in the next five years. The Government will establish digital government with the Japan Digital Agency at the core, accelerate the development of infrastructure to promote private DX, and build a society in which the benefits of digitalization are distributed to all citizens.

(1) Establishment of digital government

The Government will strongly promote digitalization of administration in accordance with the "Digital Government Execution Plan."³³ The Japan Digital Agency will use its authority to make recommendations to the governmental agencies and perform a comprehensive coordination function. Therefore, capable personnel from each governmental agency and the private sector shall be appointed. In addition, each governmental agency will actively recruit candidates who have passed the "Digital" division of the National Public Employee Recruitment Examination for Comprehensive Service, and enhance staff development and training by the Japan Digital Agency and NISC. The Government will promote BPR (Business Process Re-engineering) of national and local governments to improve efficiency and services.

The Government will promote the use of Individual Number Cards, aiming to distribute them to almost all citizens by the end of FY2022. Efforts will be promoted to increase the convenience of citizens by expanding the use of Individual Number Cards by integrating them with health insurance cards and driver's licenses, and by installing them on smartphones.

Based on the Government's data strategy, the Government will identify and search data that correspond to policy issues, design and develop data on the premise of utilizing and sharing it, and make the best use of the developed data. The Japan Digital Agency will establish a one-stop system for the provision of administrative data, including data held by local governments, in a manner compatible with the protection of personal information. The Agency will quickly develop data platforms for medical and long-term care, education, infrastructure, and disaster risk reduction.

Information coordination among administrative organs will be promoted with the utilization in benefit administration in mind. Individual Number System is aimed to be utilized for the coordination of resident information. Considering also the development of laws, the Government will make all commercial registration information collaborations between national administrative organs free of charge by the end of this year, including those for benefit

³¹ A system to certify the environmental value of electricity derived from non-fossil power sources (renewable energy, nuclear power, etc.).

³² A scheme to certify GHG emissions reductions and removals as credits.

³³ Cabinet decision on December 25, 2020.

administration work and gBizID³⁴ issuance work. The Government will also proceed with work toward making all collaborations with incorporated administrative agencies and local governments free of charge by the end of this fiscal year. This will complete the procedures digitally and promote the omission of paper certificates of registered matters. The Ministry of Economy, Trade and Industry and the National Printing Bureau will start information coordination with gBizINFO³⁵, which provides information published in official gazettes such as contract information and company financial results information, by the end of this year, while ensuring compliance with the obligation to publish financial results under the Companies Act³⁶. The Government will promote DX for accounting and administrative work in the private sector, including digitalization of accounting work such as bookkeeping and improvement of the level of bookkeeping. The Japan Digital Agency will seek the cooperation of public organizations, such as the National Printing Bureau, that have expertise in the construction, management, and operation of the base registry³⁷, and will work to establish it as soon as possible.

Most of the administrative procedures that have not been brought online will be brought online as soon as possible, starting with those that can be done within five years, and those that have already been brought online will dramatically increase in utilization rate.

(2) Acceleration of DX in the private sector

While accelerating the development of digital infrastructure and making use of the infrastructure established so far, such as Individual Number System, it is necessary to work together with the public and private sectors to accelerate DX and digital investment in the private sector as a whole and to thoroughly raise the productivity of the economic society as a whole.

For this reason, the Government will accelerate the development plan of 5G, which is the basis of DX, also through tax support, and increase the coverage ratio to 98% by the end of FY2023, and promote the development and demonstration of local 5G. The Government will promote the strengthening of the manufacturing base of advanced semiconductors and the resilience of supply chains, as well as the development of Post-5G³⁸ information and communications systems, the research and development of “Beyond 5G,” and the acquisition of intellectual property and international standardization. Furthermore, we will steadily promote the installation of optical fibers and take necessary measures toward the adoption of broadband universal services³⁹. We will promote the development of a fair competitive environment in the mobile phone market and aim to reduce charges. In order to respond to large-scale disasters, etc., efforts will be made to decentralize Internet exchanges⁴⁰ and develop domestic locations and new sites of data centers. In addition, the reliability of cloud services will be improved, and interoperability and resilience will be ensured. In addition, the development of quasi-zenith satellites will be promoted, and advanced utilization⁴¹ of geospatial (G-space) information and utilization of satellite data will be promoted.

In order to develop rules for a new era, necessary institutional measures⁴² will be taken to strengthen competition policy, such as adding the digital advertising market to the scope of the

³⁴ A common authentication system for corporations to log in to various online administrative services of the governmental agencies and local governments.

³⁵ A service that consolidates public information about corporations distributed among the governmental agencies and provides it as open data on the Internet in a unified manner.

³⁶ The Companies Act (Act No. 86 of 2005).

³⁷ In order to make public and private sector activities once-only, it is necessary to refer to the accurate and up-to-date information on people, land, buildings, etc., that is registered and made public by administrative organs, etc., and to use it in each procedure. Such a database as a basis of society is called a “base registry.”

³⁸ It is 5G with enhanced functions of multiple simultaneous connections and ultra-low latency.

³⁹ The situation of environment in which all households in Japan have access to broadband services.

⁴⁰ A transit point for traffic (data communication) on the Internet.

⁴¹ At the end of this fiscal year, it is planned to formulate the fourth phase of the Basic Plan for the Advancement of Utilizing Geospatial Information.

⁴² Including strengthening the advocacy of the Japan Fair Trade Commission (JFTC) and strengthening its structures and enforcement.

Digital Platform Transaction Transparency Act⁴³.

Taking advantage of such infrastructure development, the Government will promote the transformation into non-face-to-face business models including local SMEs, and the creation of new industrial models. To this end, the Government will support digital investment by enterprises as a whole through the tax system. In particular, the Government will enhance IT introduction support for SMEs and boldly accelerate the promotion of DX. The Government will also promote the spread of common EDI⁴⁴ among SMEs through standardized electronic invoices and support from financial institutions. In addition, thorough optimization of the entire supply chain will be promoted through distribution DX and standardization. Furthermore, we will create new added value by utilizing AI, IoT, and big data. For example, we will build Connected Industries⁴⁵, including advanced MaaS such as unmanned automated driving.

With regard to CBDC, the Government and the Bank of Japan will outline the system design based on the results of the Proof of Concept to be conducted by the end of FY2022, and will consider a pilot program and the feasibility and legal aspects of CBDC issuance⁴⁶.

(3) Development of digital human resources, elimination of digital divide, cybersecurity measures

In order to develop and secure human resources who will play leading roles in leading-edge technologies by sharing the image of digital human resources required by society as a whole, the Government will establish a digital human resources platform that will provide educational contents and curriculums and provide opportunities for practical learning in cooperation with the business community and educational institutions, and will also cooperate with efforts to develop digital human resources in local areas. In addition, IPA (Information-technology Promotion Agency, Japan) will develop a system that includes cooperation with the business community and create standards for evaluating the skills of various digital human resources⁴⁷.

The Government will enhance mathematics, data science, and AI education at universities, technical colleges, and professional training colleges nationwide, and expand and reorganize digital-related faculties and master's and doctoral programs. The Government will promote the dissemination of model curriculums, the establishment of internationally competitive cross-disciplinary doctoral programs, and double majors. In order to expand the base of digital human resources, the Government will prioritize the development of digital human resources in vocational training and educational training benefits, and implement reinforcement such as enhancing digital-related programs.

Under the principle of “leave no one behind” and based on the principle of the “Digital Government Action Plan,” the Government will promote measures against the digital divide, such as raising and reviving IT literacy and skills. In particular, we will actively utilize digital human resources that have been developed in local communities to provide elderly people, who are not confident about digital utilization, with advice and consultation on how to use online

⁴³ Act on Improvement Transparency and Fairness of Digital Platforms (Act No. 38 of 2020).

⁴⁴ Abbreviation of Electronic Data Interchange. As the transition to the tax invoice system in October 2023 and the termination of ISDN service in January 2024 approaches, the spread of EDI among SMEs is expected to be promoted.

⁴⁵ An industry that enables the creation of new added value and the resolution of social issues by connecting machines, technologies, and people via data through data sharing, collaboration, and utilization in areas of cooperation that transcend corporate boundaries.

⁴⁶ CBDC = Central Bank Digital Currency. In order to establish monetary and payment and settlement systems suitable for the digital society, the study will be conducted while thoroughly giving consideration to ensuring advanced security and international trends.

⁴⁷ Data scientists (human resources who create value by extracting new knowledge from large amounts of big data based on their knowledge of statistical analysis and computer science), cybersecurity specialists (security experts who protect individuals and organizations from threats of cyber attacks), architects (people who understand DX technology and can lead the integration of business and DX technology adoption), engineers (human resources who have acquired digital technologies such as application development and cloud computing in a full stack and are responsible for introducing technologies to businesses), operators (human resources supporting stable operation of digital infrastructure supporting DX), etc.

services through seminars and on-site lectures⁴⁸, as well as to enhance support systems such as providing support at administrative counters. The Government will grasp the actual state of digital use by the needy and consider necessary support measures. The Government aims at dissemination and promotion of a simple online identification system utilizing biometric authentication technology, etc.

Furthermore, in order to strengthen cybersecurity measures indispensable for the realization of a sound information and telecommunications society, the Government will formulate the next Cybersecurity Strategy by the end of 2021. In addition, in order to respond to cyber attacks, the Government will promote technological development, human resource development, and the formation of industry-academia-government collaboration base. In addition, the Government will promote proactive security measures by the relevant governmental agencies and critical infrastructure operators including telecommunications carriers, and strengthen measures against supply chain risks⁴⁹ related to cybersecurity.

3. Revitalizing Japan as a whole through the creation of vibrant local regions: Development of new regional revitalization and building of decentralized land

The Government will create a large flow of people to rural areas by supporting changes such as growing interest in rural areas, expansion of telework, and digitalization triggered by the Infections, and develop new regional revitalization and redress the excessive concentration of the population in Tokyo. We will create vibrant rural areas, raise local incomes, and revitalize Japan as a whole.

(1) Promoting the new flow of people to rural areas

Efforts will be made so that urban human resources who regard rural areas as frontiers can migrate and take root in rural areas through employment at local SMEs, farming, business succession, business startups, etc. To this end, the Government will promptly expand the human resource list of the Regional Economy Vitalization Corporation of Japan to about 10,000 persons, strengthen the human resource intermediation function of regional banks, and cooperate with the Regional Revitalization Entrepreneur System, etc. The Government will promote strengthening of local vitalization cooperator and strengthening local governments' migration support systems. In order to realize "migration without job change" through the use of telework in rural areas, the Government will promote the development and promotion of the use of satellite offices and the facilitation of their location.

The Government will support regional initiatives⁵⁰ such as the hometown tax system to expand the population concerned. In order to promote a variety of dual and multiple habitation, the Government will organize and examine the provision of services and the burden borne by individuals linked to resident cards and residential areas, such as childcare and education. The Government will formulate guidelines for local governments by the end of this fiscal year based on the examination, and promote the expansion and utilization of vacant houses/land banks.

(2) Creation of dynamic mid-sized enterprises, SMEs, and microenterprises

Drastic support will be provided to SMEs and microenterprises working to improve productivity, etc., mainly in regions that are responding to changes under the influence of the Infections and seeking to boost the economy. The Government will implement computerization of application procedures for support measures, visualization of support institutions and experts, and development of management support systems through cooperation with private

⁴⁸ Seminars to support the digital utilization of the elderly, in public places such as community centers in cooperation with local governments.

⁴⁹ The theft or destruction of information or the incorporation of malicious functions in the process of product development, manufacture, installation, etc.

⁵⁰ For example, there are regional initiatives such as "Hometown Resident Card," the hometown resident registration system, and the ownership system for forests and fields, etc.

support businesses. The Government will support the expansion of SMEs by promoting efforts such as investment in digital and other intangible assets, overseas development through the use of e-commerce and the granting of credit, etc., as well as by securing and developing human resources, and thereby encourage the creation of vibrant mid-sized enterprises and SMEs. In addition, the Government will support the sustainable development of local communities by supporting women entrepreneurs and social entrepreneurs in local communities and by developing an environment to facilitate the succession and revitalization of SMEs. These SME support measures will be implemented effectively and efficiently and will be disseminated to SMEs.

The Government will promote the establishment of partnerships⁵¹ between large enterprises and SMEs so that increases in labor costs, etc., at SMEs as subcontractors can be passed on smoothly to transaction prices. The Government will also promote price negotiations for subcontracting transactions through, for example, conducting special investigations of subcontracting transactions for a specified period. In addition, in order to ensure that labor costs are smoothly passed on to the public sector in the area of public demand, the Government and public agencies will take appropriate measures to confirm the contract amount as necessary based on the revision of the minimum wage.

(3) Boosting economy through wage increases

In order to achieve an early economic recovery led by private demand, the Government will strive to continue the trend of wage increases by strengthening the ability of companies to create added value, which is a source of wage increases, and by taking tax measures to encourage income expansion, such as employment increases and wage increases. The labor share in our country has been on a declining trend for many years, and as wage disparities widen due to the effects of the Infections, it is essential to raise the minimum wage in order to correct such disparities. In order to create an environment in which it is easy to raise wages while balancing maintenance of employment while giving consideration to enterprises with severe business conditions affected by the Infections, the Government will make further efforts to strengthen support for SMEs that are working to improve productivity, ensure appropriate subcontracting transactions, and provide financial support, etc., and will work to raise the minimum wage to a national weighted average of 1,000 yen as early as possible, while taking into consideration the results⁵² of the raise before the expansion of the Infections in our country and regional disparities, by referring to the efforts of other countries that have raised the minimum wage even under the Infections.

In addition, based on the “equal pay for equal work” rule which was expanded to SMEs in April this year, the Government will promote the improvement of treatment for non-regular employees and support the regularization of non-regular employments.

(4) Revitalization of tourism and inbound

About 9 million people are engaged in tourism-related industries, supporting local economies. The attractiveness of our country’s nature, climate, culture, and food has not been lost, and the public and private sectors will work together to make the country a tourism-oriented country.

The handling of the Go To Travel promotion will be determined based on the future infection status, etc., and support for local tourism business will be implemented after thorough measures are taken to prevent the spread of infections in accommodation facilities, tourist

⁵¹ The Council for the Promotion of Partnerships that Pioneer the Future aims to promote consultations between large enterprises and SMEs concerning the pass-through of labor costs and other costs to build sustainable relationships that can grow together.

⁵² In “Basic Policy on Economic and Fiscal Management and Reform 2016” (Cabinet Decision on June 2, 2016), it is written that “Aim for a national weighted average of 1,000 yen by increasing the minimum wage at an annual rate of around 3%, taking into account the nominal GDP growth rate.” Since then, the national weighted average of minimum wages has increased from the previous year by 3.1% in 2016, 3.0% in 2017, 3.1% in 2018, and 3.1% in 2019. In 2020, the rate of annual increase was 0.1%.

spots, etc. We will reduce congestion by leveling travel demand by promoting workation and the acquisition of vacation.

In order to rehabilitate the tourism industry and tourist spots by making use of the time until tourists return, we will work on improving accommodation facilities, restaurants, souvenir shops, and other facilities, removing abandoned houses, improving profitability and productivity by raising management capacity and promoting DX, revitalizing accommodation facilities in cooperation with financial institutions, and introducing private-sector vitality into tourism facilities by local governments, etc.

The following measures will be taken: creation of contents through collaboration between the tourism industry and other industries that transcend the vertical division within the region; improvement of tourism resources through the use of digital technology; improvement of snow resorts and the quality of the staying environment in national parks; extended utilization of historical resources such as old houses; development of cultural and tourism sites; and regional development of art works at Sannomaru Shozokan Museum. Efforts will be made to inscribe Japanese sake, shochu and awamori, etc., on the Representative List of the Intangible Cultural Heritage of Humanity of UNESCO.

Efforts will be made to improve the reception environment with multilingual descriptions, barrier-free, CIQ, etc., to enhance transportation to tourist spots, and to attract tourists seeking high-quality services. The aim is to develop a safe and secure travel environment by implementing small-scale package tours on trial, etc., while ascertaining the infection status in Japan and overseas.

IR development will steadily proceed with the necessary procedures, including the implementation of strict casino regulations.

(5) Turning agriculture, forestry, and fishery industries into growth industries including export growth

In order to respond to the shrinking domestic market due to population decline, the decrease in the number of people engaged in agriculture, forestry, and fisheries, and climate change, the Government will vigorously promote reforms⁵³ across the entire agriculture, forestry, and fisheries industries, and strive to increase incomes, create vibrant communities in agricultural and/or mountainous areas, and fishing villages, and establish food security while making the industries growth industries.

Based on the export strategy,⁵⁴ in order to promote market-in and market-making systems⁵⁵, the Government will take measures such as strengthening overseas sales capabilities by organizing product groups and encouraging business operators to respond to risks specific to agricultural products, and will also consider necessary revisions of laws⁵⁶. We will promote domestic switching of processed and commercial vegetables.

In order to achieve the goal of “Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI),”⁵⁷ we will promote the development and implementation of innovative technologies and production systems, and a mechanism to encourage changes

⁵³ Reforms based on the “Plan for the Creation of Vibrant Primary Industries and Rural Areas” (December 15, 2020: Revisions by the Headquarters on Creating Dynamism through Agriculture, Forestry, and Fisheries and Local Communities) etc.

⁵⁴ “The Strategy to Realize Export Expansion of Agricultural, Forestry, Fishery, and Food Products” (December 15, 2020: Decision by the Headquarters on Creating Dynamism through Agriculture, Forestry, and Fisheries and Local Communities) this is a strategy that summarizes the measures to be implemented in order to achieve the export value target of 5 trillion yen in 2030.

⁵⁵ To produce and export products of specifications (quantity, price, quality, and standards) required in overseas markets professionally and continuously at appropriate prices commensurate with their value.

⁵⁶ Act on Promotion of Exports of Agricultural, Forestry, and Fishery Products and Food (Act No. 57 of 2019).

⁵⁷ May 12, 2021: Decision by the Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI) Headquarters. New policy directions for constructing sustainable food systems. Set 2050 targets for zero CO2 emissions and reduction of agricultural chemicals and fertilizers, etc.

in behavior toward greening, and contribute to the discussions in international meetings⁵⁸.

In order to secure and strengthen production bases including hilly and mountainous areas, the Government will accelerate the implementation of smart agriculture, forestry, and fisheries and promote the development of support service businesses. In addition, the Government will consider mechanisms to boldly promote the consolidation and maximum use of farmland by strengthening the functions of farmland banks, securing diverse human resources, and fostering human resources, and developing new agriculture and rural businesses. Land improvement projects and measures against livestock diseases will be promoted, and countermeasures for wildlife including wide-area capture will be strengthened. In order to strengthen the food industry, the Government will promote automation, data coordination, etc., and promote business transformation in response to new lifestyles.

Based on the new “Basic Plan for Forest and Forestry,”⁵⁹ the Government will promote appropriate forest management, including replanting with seedlings derived from elite trees⁶⁰, the development of sustainable management bodies, and the promotion of wood use in urban areas.

The Government will promote new resource management based on the new Fishery Act⁶¹, turning the aquaculture industry into a growth industry, management stability of fishery operators, and sustainable fishery industry in response to the problem of poor catch.

(6) Promotion of sports and cultural arts

For Tokyo Olympic and Paralympic Games Tokyo 2020, the Government will realize safe and secure events and create a variety of legacies. The Government will create an environment where all citizens can easily enjoy sports, and realize a society where they can feel the value of sports. We will promote the spread and development of local sports by fostering leaders and activity groups through further utilization⁶² of private funds. To this end, the Government will closely examine the results of the current Sports Basic Plan⁶³ and formulate the next plan within this fiscal year, including the promotion of sports and healthy community development, and promote it as a whole.

In order to promote the sustainable use of local cultural resources such as traditional cultural properties and Japan heritage, the Government will strengthen the system to promote the preservation and use of cultural properties in an integrated manner, while considering the *Takumi*(artisan) Project⁶⁴ for cultural properties and strengthening the functions of national cultural facilities. By the end of the year, the Government will cooperate with the relevant governmental agencies to formulate a policy package that will include the enhancement of children’s appreciation and hands-on activities, the nationwide expansion of the Japan Cultural Expo, the revitalization of the art market, and the promotion of Cultural DX⁶⁵, such as the establishment of a copyright system in response to the DX era, thereby supporting the

⁵⁸ In New York in September this year, under the auspices of the Secretary-General of the United Nations, world leaders will participate in international rulemaking on the occasion of the “United Nations Food System Summit” which is scheduled to be held for the first time, and at which a wide range of subjects related to food system such as promotion of agriculture harmonized with environment will be discussed.

⁵⁹ Cabinet decision on June 15, 2021.

⁶⁰ A variety with excellent growth and wood properties developed for the purpose of reducing the cost of forestry management, improving the capacity of forest carbon sink, and shortening the cutting cycle.

⁶¹ Fishery Act (Act No. 267 of 1949).

⁶² Expansion of business income and donation through creation of new value using advanced technology, reinforcement of the fund circulation system of the sports industry through PFI, and designated management that attracts private investment to sports facilities including schools, and enhancement of subsidies through sales of sports promotion lotteries and product expansion.

⁶³ Decided by the Minister of Education, Culture, Sports, Science and Technology on March 24, 2017.

⁶⁴ (Takumi means artisan or master craftsmanship in Japanese.) Training of human resources for the repair of cultural properties and improvement of their social recognition, securing of traditional and essential repair tools and raw materials, optimization of repair cycles, disaster and crime prevention measures including fire prevention, etc.

⁶⁵ This refers to the effective and efficient promotion of cultural and artistic activities utilizing digital technologies.

strong recovery and development of cultural and artistic activities from the Infections.

(7) Acceleration of multi-core cooperation based on Smart Cities

By FY2025, the Government will vigorously promote smart cities, mainly in government-ordinance-designated cities and core cities, and will construct 100 regions with diverse and sustainable smart cities, including those with improved resident satisfaction and greening. To this end, the Government will strengthen the promotion framework and proceed with the formation of smart cities through integrated support in both hardware and software.

Specifically, the Government will select priority development areas for Smart Cities, starting with Super Cities⁶⁶ to accelerate the development of Smart Cities, and support the realization of multi-core cooperation⁶⁷ through the early development of urban operating systems⁶⁸ that will serve as the basis for inter-urban and inter-sectoral cooperation. In order to further promote the development and operation of services, the Government will promote cooperation with greening initiatives, such as the promotion of comprehensive decarbonization and zero carbon cities in urban areas, and accelerate the horizontal development of MaaS and other services at the implementation stage.

Furthermore, the functions and levels of smart cities will be specified, and management will be strengthened by examining evaluation indices that contribute to the formation of smart cities, developing human resources that combine digital and community development, and establishing a model for collecting operating funds, including BID, to support the construction of sustainable smart cities.

In addition, while making use of digital technologies and data, such as 3D city models, and intending to compact cities with enhanced functions such as work, housing, and recreation, smart cities will be integrated with the development of cities with universal design, barrier-free railroads, etc., utilizing the framework of user burden, the enhancement of modal connections, and the development of mobile environments, including the enhancement of bicycle usage environments, with the aim of promoting various ways of working and living and improving QOL.

With regard to the international strategy of smart cities, the public and the private sectors will work together to implement overseas expansion of Japan's experience in urban infrastructure development and know-how in data management, while promoting the utilization and establishment of international standards and feasibility studies and international demonstration projects.

(8) Building of decentralized nation and regional development making use of individuality

In order to create high value-added employment in rural areas, the Government will utilize regional characteristics to strategically capture external demand through inbound revitalization, promotion of exports from SMEs, and agriculture, etc. In addition, the Government will industrialize the health care and green sectors and restructure domestic demand through supply chain restructuring.

In order to develop an environment for regional revitalization, the Government will promote the early development and utilization of population flow and logistics networks such as high standard roads, the Projected Shinkansen lines, the Linear Chuo Shinkansen, ports, and fishing ports, and will ensure, maintain, and revitalize the sustainability of aviation and local public transport services that are in crisis due to the impact of the Infections. The Government will also strengthen the competitiveness of the shipbuilding and shipping industries. While proceeding with diverse smartification making use of the regional characteristics, the Government will promote the creating of towns that are relaxed, comfortable and walkable,

⁶⁶ The area will be designated around this year.

⁶⁷ Multi-core cooperation refers to the nationwide dispersion of regions (cores) in which individuals and companies are concentrated, and the cores of these regions are linked.

⁶⁸ Conforms to the Reference Architecture published by the Cabinet Office.

through the utilization of urban infrastructure such as roads and parks, as well as private facilities.

By the end of this fiscal year, the Government will formulate a policy package to strengthen the power of local universities, which have a concentration of local knowledge and human resources, and promote the creation of local industries through human resource development with STEAM⁶⁹ education as its core, and research and development. The establishment of local satellite campuses of universities in the Tokyo area will be promoted. The Government will promote practical vocational education at specialized high schools and specialized training colleges in cooperation with local industry.

In order to expand the flow of funds to rural areas, further utilization of the hometown tax for companies, including the temporary staffing type, will be promoted. The Government will promote the use of the tax system to strengthen local base of companies in order to encourage the transfer of corporate headquarters functions. Through industry-academia-finance-government collaboration, the Government will promote the establishment of community-based enterprises that will play a role in the regional economic cycle. In order to support the recovery of regional economies, support will be provided for reforms to strengthen the management bases of regional financial institutions. Securing human resources for regional development and promoting experience in farming, mountain, and fishing villages, measures against underpopulated areas, remote islands, heavy snowfall areas, peninsulas, Amami, Ogasawara, and other disadvantaged areas will be tackled.

Based on the results⁷⁰ of the comprehensive review of the measures to promote Okinawa to date, the Government will consider the future vision for promotion of Okinawa, as the current Act on Special Measures for the Promotion and Development of Okinawa is to be expired by the end of this fiscal year⁷¹. At the same time, the Government will actively encourage comprehensive measures to promote Okinawa as a national strategy, including the promotion of various industries such as tourism, the use of former U.S. military base sites, and human resources development, so that Okinawa can be a driving force for Japan's economic growth.

The Government will work on the development of Hokkaido, including Zero Carbon Hokkaido⁷², food and tourism, and the promotion of the Region neighboring the Northern Territories. The Government will strive to realize a society in which the pride of the Ainu people is respected, by enhancing Upopoy and further deepening the understanding of the people of Ainu history and culture.

4. Overcoming the declining birthrate and realizing a society that makes it easier to have and raise children

To overcome the declining birthrate and realize a society in which it is easy to have and raise children, the Government will proceed with policies from the viewpoint of children. While the decline in the number of births is continuing at a faster rate than expected and the population decline cannot be stopped, the number of suicides among children and students is increasing, and the problems of child abuse and serious bullying are becoming more serious. Under such a critical situation, based on the "Outline of Measures for Society with Declining Birthrate"⁷³ etc., the Government will advance measures against the declining birthrate, which has been a long-standing issue, such as making efforts to create an environment where people can get married, become pregnant, give birth, and raise their children with peace of mind, while being close to their anxieties. The Government will aim for the realization of a society in which the importance of marriage, pregnancy, giving birth, and raising children with "a desired birth-

⁶⁹ In addition to STEM (Science, Technology, Engineering, Mathematics), A (Art (s)) is defined in a wide range of fields including art, culture, life, economy, law, politics, ethics, and so on.

⁷⁰ "Current Situation and Challenges of the Promotion of Okinawa: Results of the Comprehensive Review of the Okinawa Promotion Plan (Analysis of current situation based on logic model, etc.)" (March 26, 2021: Compiled and reported by the Cabinet Office)

⁷¹ The Act on Special Measures for the Promotion and Development of Okinawa (Act No. 14 of 2002) is to be expired by the end of this fiscal year.

⁷² Initiatives to achieve carbon neutrality in Hokkaido in 2050.

⁷³ Cabinet decision on May 29, 2020.

rate of 1.8” is deeply shared among members of society as a whole and child-raising families are supported by the whole community. Furthermore, from the perspective of children, the Government will drastically review policies concerning children and strengthen measures to protect children’s lives and safety, including efforts to eliminate gender gaps, with a view to all environments surrounding children, including families, communities, kindergartens, nursery centers, schools, and local governments, as well as parents and working environments. The Government will devote resources such as budgets and human resources to the entire growth process of children to eliminate the problem of children on waiting lists, strengthen measures against child abuse and serious bullying, and aim to resolve various issues such as child poverty.

In doing so, the Government will promptly take necessary support measures based on effectiveness and priority, while securing sufficient and stable financial resources through the principle of ability to pay and revenue reform, so as not to pass the burden on to future children. In order to secure stable financial resources, the Government will also consider a new framework under which all social and economic participants, including companies, will join forces to shoulder the burden from a fair standpoint.

(1) Realizing a society that grants wishes to get married and have a baby as well as making raising children easier

The Government will work to improve the employment environment, which has been pointed out as the background of the declining birthrate, by raising wages and correcting disparities between regular and non-regular workers, and proceed with the development of the environment in society as a whole where male employees can take childcare leave with ease. Efforts will be made to promote the following: marriage support; the application of insurance for infertility treatment; consideration for the increase of lump-sum allowance for childbirth and childcare based on actual conditions of childbirth expenses; the promotion of postpartum care services; the steady implementation of “New Childcare with Security Plan” and “New after-school children plan”; the promotion of childcare services for sick children; the promotion of mutual childcare support in local communities; the promotion of diversification of childcare services and integrated provision of information; a comprehensive childcare support system to address various issues such as abuse and poverty; support for single-parent households and other households facing difficulties; the smooth implementation of the revised Child Care and Family Care Leave Act⁷⁴, including the promotion of the acquisition of childcare leave; and the study of the ideal form of child allowance based on the supplementary provisions of the revised Child Allowance Act⁷⁵. In order to realize further “improvement in quality” support for children and childcare, appropriate financial resources will be secured, including those other than consumption tax revenue. Based on the current response to the Infections, a comprehensive policy package will be formulated and promoted by the end of the year while defining KPIs after thoroughly reviewing various measures taken to date.

(2) Creating an environment to ensure the security of children who will bear the future and measures against child abuse

In order to respond comprehensively to various issues related to children, such as child poverty, child abuse, disability, and serious bullying, the Government will eliminate the gap by age and the vertical division among ministries and agencies, ensure the rights of children from before pregnancy through pregnancy, childbirth, neonatal period, infancy, school-age period, and puberty, and respond seamlessly according to each stage of life from the child’s point of view. At the same time, the Government will cooperate with education and welfare organizations to prevent disparities in school attendance, etc., ensure the safety and security of children, enrich and utilize data and statistics from across relevant departments to the field,

⁷⁴ Act for Partial Revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members and the Employment Insurance Act (Act No. 58 of 2021).

⁷⁵ Act for Partial Revision of the Child and Child Care Support Act and the Child Allowance Act (Act No. 50 of 2021).

and establish a framework in which giving support to children with difficulties will not be omitted. In order to establish an administrative organization with such functions, the Government will immediately start considering the establishment of such a system.

With regard to measures for the prevention of child abuse, based on the Supplementary Provisions of the Revised Child Welfare Act⁷⁶, the necessary measures will be taken based on the examination of the ideal qualifications for the improvement of the quality of persons engaged in support for children, the securing of proper procedures for temporary custody including the strengthening of judicial involvement, the protection of the rights of children, the thorough implementation of the principle of priority for family care including the consideration of the ideal effective foster parent support, etc., including the evaluation of such positive efforts, and the ideal support for children whose protection measures have been terminated. From the perspective of promoting the sound development of children and preventing child abuse, in order to ensure that support is provided to families with children who need it, the Government will consider effective identification of children who are not yet in preschool, reorganizing the management system for maternal and child health and child welfare, and promoting in-home support by municipalities and child and family support centers, and will take necessary measures, as well as enhancing and strengthening support systems for children and families, including child guidance centers.

With the aim of eliminating child poverty, support will be provided for children's cafeterias, children's home meals, and food banks, as well as for creating a place for children to stay in local communities and providing support to watch over children. In addition, the Government will enhance shokuiku [meaning food and nutrition education] in accordance with various occasions and opportunities such as school lunch.

With regard to measures for teachers who engage in indecent acts against children, the Government will steadily proceed with endeavors based on the Act on Prevention of Sexual Violence against Children and Students by Teachers etc.⁷⁷ Furthermore, in addition to the same handling with nursery teachers, the Government will consider the establishment of a system to protect children from those who seek to work at educational and nursery facilities or places where children are active, regardless of whether they are paid or not. The Government will also consider various issues to ensure the security of children based on advanced cases overseas, including the development of an environment to protect children from indecent acts.

5. Building a foundation to support the four driving forces

(1) Realization of high-quality education and promotion of innovation in the digital age

In order to realize high-quality education suitable for the digital age, the Government will promote an integrated reform of hardware, software, and human resources of education in conjunction with the GIGA School Program⁷⁸, such as promoting the use of digital textbooks, downsizing of elementary school classes to 35 students, introducing the subject-based teacher assignment system in higher grades at elementary school, and utilizing external human resources. At the same time, the Government will promote school safety with reference to the concept of the Safety Promotion School, which is an approach for systematic and empirical safety measures, while developing a safe and comfortable educational environment for students including commuting⁷⁹. With these efforts, we will strive to realize well-being for individuals and society as a whole while valuing human ties among people. The Government will promote learning that meets individual educational needs and level of understanding, as

⁷⁶ Act for Partial Revision of the Child Welfare Act, etc. (Act No. 63 of 2016), etc.

⁷⁷ Act on Prevention of Sexual Violence against Children and Students by Teachers, etc. (Act No. 57 of 2021).

⁷⁸ GIGA=Global and Innovation Gateway for All, which is an idea to effectively use ICT and advanced technologies for education by providing one tablet PC to each student and developing a high-speed, large-capacity communications environment in an integral manner.

⁷⁹ Systematic and efficient development of school facilities, including counter measures against the deterioration, the use of timber and decarbonization, and the formulation of a cross-sectional action plan for this purpose.

well as cross-curricular learning such as STEAM education, etc., by making full use of 1 person 1 terminal to shift to data-driven education⁸⁰ and utilizing EdTech, etc., in order to promptly realize “personalized and self-regulated learning” and “collaborative learning.” In this context, based on the policy clarified in March this year⁸¹, the Government will realize high-quality education that is not restricted by time, place, teaching materials, etc., by utilizing the online system according to the developmental stage of children and students, etc. For developing non-cognitive abilities of children, the quality of early childhood education, including building a foundation for learning from early childhood, will be improved, and various hands-on activities and reading activities will be promoted. ICT will also be effectively used to respond to serious bullying, suicide, and non-attendance of school, to improve the quality of special needs education, to foster professional human resources, and to strengthen the functions of overseas Japanese educational facilities. In order to respond to changes in the role and quality of teachers required in the digital age, a drastic reform of the teacher licensing system, including the appointment of outside human resources, will be considered, and specific measures that have been decided will be reviewed from this fiscal year. The Government will promote the implementation of collaborative educational programs with private companies, etc., the upgrading and internationalization of technical colleges, the integration of liberal arts and sciences at the undergraduate level of universities, and the transformation of campuses as “Innovation Commons”⁸², etc., in order to strengthen education for highly-skilled human resources and entrepreneurship. It will also encourage local governments and companies to promote their scholarship loans repayment support system while steadily putting in place its support program⁸³ for those who have difficulty in repayment scholarship loans. The Government will verify how the free education program has worked in higher education, including the effects of the Infections, and promote the discussion on equal opportunities while observing the access of children of middle-income earners to universities, etc.

With regard to University Endowment Fund, which will be operated by the end of this fiscal year towards establishment of world-class research infrastructure, the Government will specify the requirements for participating universities within this year, such as promotion of separation of management and academic affairs, and expansion of external funding, while at the same time have a prospect of expanding the University Endowment Fund to the scale of 10 trillion yen within this fiscal year, in coordination with the institutional design of university reform. Research DX⁸⁴ will be promoted to increase research productivity, and placement of professionals to support research will be encouraged accordingly⁸⁵. In order to strengthen research capabilities, including basic research, the Government will promote international brain circulation, which has stagnated due to the Infections, by establishing an international research center rich in diversity where excellent researchers and international students gather from all over the world and by enhancing international joint research. The creation of startups and the formation of innovation ecosystems through co-creation of industry, academia, and government will be promoted nationwide in order to solve social issues and to link research results to social implementation. In order to develop an environment to create startups and

⁸⁰ “A New Way of Learning in the Post-Corona Period (The 12th Proposal)” (June 3, 2021 Education Rebuilding Implementation Council) proposes effective use of data and ICT in areas such as learning, school life, and health of students, and teaching and instructing by teachers, etc.

⁸¹ “Use of Online Education in Classroom” (March 29, 2021: Coordinated by the Minister of State at Cabinet Office (Regulatory Reform) and the Minister of Education, Culture, Sports, Science and Technology).

⁸² Development and construction of university campuses with enhanced functions from both software and hardware perspectives to promote industry-academia-government collaboration and co-creation of innovation.

⁸³ For those who have difficulty in repayment their scholarship loans for financial reasons, etc., a reduction of the monthly installment and a postponement of repayment have been established.

⁸⁴ Digital transformation of research activities, including the promotion of remote research exchange, remote access to research facilities and equipment, and the expansion of data-driven research using advanced shared facilities and large-scale research facilities nationwide.

⁸⁵ This includes guaranteeing the quality of human resources and engineers (including technical staff who support research in all fields at universities) such as URAs (University Research Administrators) who manage research at universities and research institutes and improving their working conditions and treatment.

expand their scale, the Government will reform the conventional working system especially for side business of researchers and take comprehensive support measures such as improving the financing environment and optimizing transactions with large companies. In addition to promoting intellectual property strategies⁸⁶, the public and the private sectors will work together to accelerate strategies for the standard use of advanced technologies and systems. The Government will promote research and development in important fields of our nation such as AI technology, biotechnology, quantum technology, materials, environmental energy, safety and security, health and medical care⁸⁷, development of small satellite constellations, space such as Moon and Mars exploration, ocean including the Arctic, and food, agriculture, forestry, and fisheries while making more efforts in the discovery of excellent human resources for the creation of disruptive innovation, promotion of emergent research, and fundamental enhancement of the Moonshot Research and Development Program.

(2) Active participation of women

Concerns about the increase and escalation of spousal and sexual violence, the impact on women's employment and income, and the increase in the number of women who commit suicide, all of which have emerged as a result of the recent spread of Infection, have made us recognize the importance of gender equality. There is no time when a more gender-equal perspective is more required than now to ensure that no women in need of support are left behind.

For realization of a society in which all women shine, the Government will, based on the "Fifth Basic Plan for Gender Equality"⁸⁸ and the "Intensive Policy for Gender Equality and the Empowerment of Women 2021,"⁸⁹ promote initiatives such as the development of female human resources with adequate digital skills, vocational training for single parents, consultation support close to women such as support for "period poverty," promotion of the FemTech⁹⁰, support for women who are greatly affected by the Corona pandemic such as support for expectant mothers and women facing difficulties, elimination of non-payment of child support, expansion of women's participation in policy decision-making processes in a wide range of fields including promotion and employment of women, consideration of taxation and social security systems, etc., from the perspective of women⁹¹, sex education, and measures against sexual crimes and sexual violence. In addition, within this fiscal year, the Government will start to consider the availability of emergency contraceptives at pharmacies without prescriptions, taking into account the situation in Japan and overseas. In light of concerns about the increase and worsening of spousal violence associated with the Infections, the Government will continue to promote measures such as enriching the counseling system. Also based on the fact that the large number of women are employed as non-regular workers, the Government will improve the treatment of non-regular workers, and provide priority support to help women work as regular employees and encourage men to take childcare leave in order to eliminate the so-called L-shaped curve in which the ratio of women in regular employment declines after childbirth. In addition, the Government will consider specific measures to ensure safe and secure visits and exchanges between parents and children.

In science and engineering fields, including IT, efforts will be made to create role models familiar to women in particular, and to increase the percentage of female teachers in this field. The Government will increase the percentage of female students in science and engineering faculties, including local universities, by taking comprehensive support measures such as

⁸⁶ "Intellectual Property Strategic Program 2020" (Decision made by the Intellectual Property Strategy Headquarters on May 27, 2020).

⁸⁷ Including regenerative medicine.

⁸⁸ Cabinet decision on December 25, 2020.

⁸⁹ Decision on June 16, 2021 by the Headquarters for Creating a Society in which All Women Shine and the Headquarters for the Promotion of Gender Equality.

⁹⁰ FemTech is a coined term combining female and technology, and means products and services that use advanced technology to mitigate problems specific to women such as menstruation and menopause.

⁹¹ See the Intensive Policy for Gender Equality and the Empowerment of Women 2021.

establishing a framework for female students in school recommendation selection and comprehensive selection, holding open campuses, establishing STEAM educational bases for female students, and enhancing opportunities for female students to listen to female researchers who have made outstanding achievements in science and engineering⁹².

(3) Active participation of young people

In order to support the career development of young people, the Government will realize various ways of working through the ways such as the promotion of job-type employment, and will enhance public vocational training and recurrent education to develop human resources who can respond to changes in the industrial structure such as digitalization as well as human resources who can lead such changes.

To encourage young researchers to play an active role, the Government will improve the treatment of doctoral students and secure an environment in which students can concentrate on research through stable economic support, prioritize young researchers by setting effective quotas for competitive research funds, simplify and improve the efficiency of procedures for application of the relevant programs, and prioritize the allocation of operating grants to universities where more young researchers are active. Public-private partnership education programs that enable students to smoothly pursue various career paths, such as employment in industry and entrepreneurship, will be expanded. The Government will enhance guidelines for encouraging researchers to start up businesses and hold side jobs, and will also encourage universities to develop systems to comprehensively support startups by researchers, etc., including reviewing regulations allowing researchers to hold side jobs only outside of working hours and simplifying and expediting procedures.

In addition, the Government will encourage review of job seeking practice of high school graduates called “One Student for One Company System”⁹³ in each prefecture.

In addition, consideration will be given to the composition of various councils and advisory groups so that the opinions of young people will be actively and appropriately reflected in the policymaking process, particularly with regard to policies in areas where young people and inter-generational agreements are essential.

(4) Strengthening safety nets, measures against loneliness and isolation, etc.

(Strengthening safety nets such as the job-seeker support system)

The Government will review the support system for job seekers and advanced vocational training promotion benefits, which have been implemented to serve as the second safety net as special measures taken in light of the impact of the current Infections, including financial resources, after examining the results and challenges of further expansion. The Government will continue to effectively implement the support for companies that accept people who wish to work without work experience as trial employment while managing its progress, and will consider necessary improvements based on the verification on how they are used and related issues. With regard to safety nets for those who are particularly vulnerable to economic and employment situation, such as non-regular employees and freelancers, the Government will consider how the safety nets should be, including the strengthening of housing support by means of a system to support the independence of needy people and vacant houses, and will steadily promote the further expansion of the scope of application of the employee insurance and the expansion of special enrollment in industrial accident insurance. Measures will be taken to actively direct the “social welfare enhancement property” of social welfare corporations to local public services.

⁹² For example, Nagoya Institute of Technology has set up a quota for female students for school recommendation selection, and the University of Tokyo has supported the provision of housing for female students. Nara Women’s University is also planning to establish the first engineering department in women’s colleges in Japan.

⁹³ A job seeking practice for high school graduates in which a student can apply for a job at only one company, and he or she is allowed to apply for a job at another company only when he or she cannot receive an informal job other from the first company.

The next Digital Government Action Plan will specify the steps toward the realization of a push type system that can provide various types of support in a timely and appropriate manner by utilizing Individual Number System and grasping real-time information on household, welfare service usage, income, etc.

(Measures against loneliness and isolation)

With regard to measures against loneliness and isolation, the Government will promote 24 hour telephone and SNS consultations for those who feel lonely and isolated, support development of human resource to cope with them, etc., provide a safe place for them, construct outreach support systems, prepare portal sites that contain support information, provide information in a timely manner, leverage the so-called “social prescribing,”⁹⁴ develop a society where lonely or isolated people can easily call for support, and conduct nationwide surveys on the state of loneliness and isolation, and promote PDCA activities. Including these approaches, the Government will draw up a priority plan for measures against loneliness and isolation by the end of this year, while keeping in mind cooperation with related fields and policies, and will provide stable and continuous support for such measures. In particular, the Government will promote dialogue with NPOs and other organizations that are engaged in measures against loneliness and isolation when formulating detailed support plans for them and related policies. In addition, with regard to support for socially withdrawn people, after reviewing the current support measures, from the perspective of the parties concerned and their families, the Government will promote measures such as the implementation of long-lasting support taking into consideration the factors that made them socially withdrawn and the future, the development of superior supporters, and the development of support methods. From the perspective of strengthening cooperation among the public, private and non-profit sectors, support will be provided for the formation of platforms that will serve as the basis for cooperation among various consultation support organizations and NPOs, and efforts will be promoted jointly by the public and private sectors, with the aim of creating communities in which people can feel connected with others and building momentum for society as a whole.

(Building a society of mutual assistance and coexistence)

In order to realize regional inclusive society, the Government will build comprehensive support systems in municipalities, such as the development of multilayered support systems.

With respect to private-sector initiatives dealing with social challenges, including the achievement of the SDGs, the government is encouraging the use of social finance that broadly call for contributions, funds and human resources in the private sector. In particular, in order to promote the further utilization of dormant deposits, the Government will consider, in addition to strengthening and improving the necessary operations, the gradual expansion of grant amount, and improvement and enhancement of the system that can respond quickly to unexpected situations even in the middle of a fiscal year, and will promptly implement such measures. The Government will promote the development of an environment for promoting the activities of corporations engaging in specified non-profit activities, including encouraging them to put their administrative processes in accordance with the NPO Act⁹⁵ online, and promote cooperation between the public and private sectors. Smooth enforcement of the Workers Cooperatives Act⁹⁶ will be promoted, as well.

In order to solve the increasingly complex social issues under infections efficiently and effectively through public-private partnerships, the Government will expand areas to utilize the multi-year performance-based private sector contracting system (Pay for Success: PFS), including SIBs⁹⁷, while clarifying outcome measure. The government will also prepare and

⁹⁴ This means the initiative in which primary care physicians, etc., pay attention to issues in the social lives of their patients and cooperate with local resources.

⁹⁵ Act on Promotion of Specified Non-profit Activities (Act No. 7 of 1998).

⁹⁶ Workers Cooperatives Act (Act No. 78 of 2020).

⁹⁷ Abbreviation for Social Impact Bond. Private-sector businesses that act as project subcontractors under the performance-driven, private-sector subcontracting system will raise the funds needed to implement the relevant

provide data on social benefits and the amount of reduction in social costs (public expenditure) etc., as an effect of implementing the project.

Measures based on the “National Framework for Promotion of Dementia Policies”⁹⁸ will be implemented and the adult guardianship system will be used more actively. With regard to issues on young carers, the Government will make efforts to promote support measures such as early detection and identification, consultation support, etc., and to improve social awareness on this matter. We will promote a correct understanding of sexual orientation and gender identity, and create an environment in which society as a whole accepts diversity.

The Government will steadily promote support for children with disabilities, including those requiring medical care, employment support for people with disabilities, and measures for those with hard of hearing, etc.

The Government will promote the introduction of community schools in cooperation with local communities and schools, and in order to ensure educational opportunities for diverse pupils and students, establish night junior high schools, and improve learning environments for children with disabilities including those in need of medical care, as well as promote various hands-on activities and lifelong learning for the disabled.

(Support for the employment ice age generation, etc.)

At present, the employment ice age generation, mainly from those in their mid-30s to late 40s, have many people who are unwillingly engaged in unstable jobs, and face severe situation due to the impact of the Infections. The Government will strongly support their employment and social participation with the aim of achieving the goal of increasing the number of regular employees by 300,000 through intensive efforts over three years.

In addition to holding the National Platform to Promote Support for the “Employment Ice Age Generation” and operating prefectural platforms, the Government will aim to establish and operate municipal platforms within this fiscal year, and will use the Subsidy for Accelerated Support for Local Employment of the Ice Age Generation to strongly encourage local governments to provide the employment ice age generation support for three years from FY2020 to expand local initiatives.

In this fiscal year, the Government will conduct a fact-finding survey on internships for working adults, which is expected to be a step toward the employment of people in the employment ice age generation, and will take appropriate measures based on the result thereof.

Furthermore, in order to promote the recruitment of the “Employment Ice Age Generation” as public employees, the Government will, for three years from FY2020, conduct the National Public Employee Mid-career Recruits Selection Examination (for the Employment Ice Age Generation) and steadily continue the efforts to recruit them in the scope of the existing recruitment framework such as experienced personnel. At the same time, the Government will urge local governments continuously to actively recruit the employment ice age generation as local government employees, taking into account their own circumstances.

In addition, in order to prevent the second employment ice age generation from emerging due to the Infections⁹⁹, we will push forward with consultation support for new graduate job seekers and those who have graduated within three years at Hello Work (job placement office), in addition to promoting matching programs between job seekers and SMEs that are willing to hire youth.

project from financial institutions and other funding sources and will repay the funds with payments received from local governments in line with their project performance.

⁹⁸ Decision made at the meeting of the Ministerial Council on the Promotion of Dementia Policies on June 18, 2019.

⁹⁹ According to the survey on job offers for university graduates, etc. (conducted by MEXT and MHLW), the job offer rate for university students in FY2020 was 96% (98% in the previous fiscal year), almost the same level as the previous fiscal year.

(5) Implementation of work style reform to realize a variety of working styles, and enhancement of recurrent education

(Phase II work style reform and organizational reform)

We will accelerate the current working style change such as the expansion of telework under the influence of the Infections, rather than restoring the former working style. With regard to telework, which is a symbol of “new normal,” the Government will encourage each business operator to disclose information concerning the reduction of attendance by introduction of telework, and will visualize the status of telework by widely disseminating relevant information. In addition, the Government will help private companies in introducing telework by holding one-stop consultation services and disseminating relevant guidelines¹⁰⁰. Following the Phase I Work Style Reform focusing on reduction of working hours, the Government will promote the Phase II Work Style Reform¹⁰¹ with the aim of increasing employee satisfaction by shifting from a membership-type employment system to a job-type employment system.

The government is working on assisting and clarifying employment regulations for the further dissemination and promotion of workers hired for a particular role under “job-type” hiring practices. In addition, the Government will study the current state of the Discretionary Working System and consider how it should be operated. In order to encourage people to have side jobs and multiple jobs, the Government will disseminate the guidelines¹⁰² and good practices. The Government will encourage private companies to introduce and disseminate the selective four-day workweek system by collecting and providing good examples, as it can be used for childcare, long-term care, volunteer work, and side jobs in local areas. In addition, based on the Guidelines¹⁰³, the Government will appropriately apply relevant laws and regulations¹⁰⁴ to freelancers and consider the establishment of written rules for contracts between them and business operators. Through these efforts, an environment will be created in which people can choose from a variety of flexible working styles and can work with peace of mind. At the same time, the Government will thoroughly review the system for learning while working, including the promotion of training for employees in public vocational training and the introduction of educational training leave, and will make full use of the system by thoroughly disseminating it to public. The Government will also develop rules to improve the quality of matching function offered by job seeking media in the private sector and build a mechanism to share information between them with public job search agency called Hello Work. In addition, the effects of public vocational training, etc., will be analyzed using employment insurance business data, etc., and reflected in future measures.

We will further the corporate governance reforms to increase the value of Japanese companies, and will encourage disclosures of measurable goals for the promotion of women, foreign nationals, and mid-career hires to management positions. The Government will encourage change of corporate organization and culture, through encouraging companies to ensure diversity of their top management and select young people for managerial positions, and supporting workers to change jobs or start up a business.

The Government implements thorough competency- and performance-based HR management for national public officers and allocates the right persons to the right places by also welcoming human resources from the private sector. To correct the long working hours

¹⁰⁰ “Guideline to promote the appropriate introduction and implementation of telework” (Revised on March 25, 2021 by the Ministry of Health, Labour and Welfare).

¹⁰¹ Workstyle reforms include shifting away from hiring practices that focus on company membership (i.e., “membership-type”) toward hiring people based on their suitability for the job in question (i.e., “job-type”) and toward workstyles that are more efficient and can be more accurately assessed. “Job-type” hiring practices based on the suitability of individuals for the job are the type of employment whereby people can choose a workstyle with certain work hours, job duties, and work locations.

¹⁰² “Guidelines for Promotion of Side Work” (Revised on September 1, 2020 by the Ministry of Health, Labour and Welfare).

¹⁰³ “Guidelines for creating a safe environment where people can work on a freelance basis” (March 26, 2021: Cabinet Secretariat, Japan Fair Trade Commission, Small and Medium Enterprise Agency, Ministry of Health, Labour and Welfare).

¹⁰⁴ Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947), Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Act No. 120 of 1956), labor-related laws and regulations.

and push forward with work style reform in the government, the Government will drastically improve operational efficiency, promote digitalization and complete management reform. In addition, upon raising the retirement age of the public servants, the Government will formulate a strategy by the end of this fiscal year that addresses the way of fully utilizing the abilities of all national public servants from different age groups.

(Drastic enhancement of human resource development including recurrent education)

The Government will drastically push the recurrent education program for the effective development of human resources according to age and purpose, including consideration on how to secure financial resources therefor. The Government will encourage effective use of training benefits not only by companies but also by individuals, by continuously reviewing whether the content of the benefits meets the needs of labor market through verification of the effectiveness of the benefits, and will encourage companies and training institutions to provide flexible and diversified programs according to the purpose and situation of each individual.

While encouraging people to obtain doctorate and master's degrees, the Government will promote the development of advanced human resources such as corporate human resources and digital human resources who possess such degrees. For this, under industry-academia-government collaboration, universities, graduate schools, and professional training colleges will actively provide recurrent programs that meet the needs of the times and business corporations. The Government will consider specific incentive measures for companies, trainees, universities, etc.¹⁰⁵, and will take necessary measures to promote recurrent education. In order to expand the employment of doctoral degree holders, the Government will support effective matching opportunities for them with companies.

The Government will strengthen support to those who will rethink their careers, start businesses, move to local companies, find jobs at NPOs, etc., at around their 40's through acquisition of qualifications, career consulting, matching opportunities, etc., and will enhance measures encouraging educational institutions to expand online and evening courses, as well as to improve search and outreach functions.

The Government will review constantly the support system for job seekers and advanced vocational training promotion benefits and will support them in their capacity building such as digital education and acquiring qualifications, so that non-regular workers who have been terminated can find their next jobs after acquiring skills that meet market needs as time evolves.

(6) Ensuring economic security, etc.

As the scope of security rapidly broadens to encompass the field of economy and technology and the risks posed by vulnerability in supply chains on people's lives and livelihoods become clear amidst the Corona pandemic, Japan will strengthen and promote economic security efforts and enhance international cooperation. To this end, as a strategic direction for economic security, the Government will expand and deepen cooperation with like-minded countries under the international order based on fundamental values and rules, and will seek to ensure Japan's self-determination and acquire advantage of our country. From this perspective, the Government will implement concrete measures and policies to strengthen its efforts to identify, protect, and develop critical technologies and to enhance the resilience of essential industries.

With regard to the following urgent issues, the Government will formulate policies on how to deal with them one by one, and proceed with necessary measures while streamlining them with existing efforts.

In order to strengthen economic security, the Government will initiate new projects that provide strong support for practical application of cutting-edge and critical technologies, while also utilizing think-tank functions, and will consider and develop a mechanism to protect, share,

¹⁰⁵ Grant of incentives linked to the acquisition of degrees and qualifications by participants, and review of rules for establishing universities contributing to recurrent education and prioritized allocation of budgets for these universities.

and utilize information on critical technologies.

With regard to investment screening and post-transaction monitoring under the Foreign Exchange and Foreign Trade Act¹⁰⁶, the Government will strengthen the enforcement system while reinforcing cooperation among the relevant governmental agencies, and will consider what businesses should be designated as business subject to the mandatory prior notification. The Government will aim at early realization of a new framework for security export control that complements the existing international export control regimes. The Government will also strengthen so-called “deemed export¹⁰⁷” controls under the Foreign Exchange and Foreign Trade Act by the end of FY2022. The Government will advance the development of a system that will contribute to strengthening the screening of foreign students and researchers etc., and will strengthen internal control systems to prevent leakage of sensitive technologies at universities, research institutes, and companies etc. With regard to the patent publication system, taking into consideration patent systems in other countries, the Government will consider taking necessary measures to keep certain patents non-public from the viewpoint of national security while simultaneously promoting innovation. The Government will promote necessary measures that contribute to research integrity¹⁰⁸, such as introduction of requirements to disclose foreign funds when applying for competitive research funds, etc.

With regard to the essential infrastructure industry, while considering the perspective of economic security, the Government will consider taking necessary measures to address risks associated with the use of certain equipment and systems, business alliance and outsourcing, etc., in order to ensure security and reliability e.g. in maintaining functions of essential infrastructure.

From the perspective of strengthening the resilience of the nation’s supply chains, the Government will implement necessary measures for priority items such as semiconductors, critical minerals including rare earth elements, batteries, and pharmaceuticals etc., and will conduct analysis so as to take necessary measures for core industries such as electric power, gas, oil, telecommunications, aviation, railways, marine logistics including shipbuilding, and medical care.

The Government will promptly establish an enforcement system for the Act on Review and Regulation of Real Estate Usage¹⁰⁹, and will promptly and steadily conduct a review of the status of real estate usage in “Monitored Areas”, etc., after the Act comes into effect.

In order to strengthen R&D capabilities for cutting-edge and critical technologies for enhancing our nation’s economic security and to secure our strategic industrial base at home, such as the production and supply capacity for critical technologies and materials in supply chains, the Government will consider desirable forms of support, including a framework for securing medium- to long-term financial contributions, taking into consideration the trends in major countries, and aim at building such support as early as possible. From the viewpoint of further coordination in implementing economic security initiatives by the relevant governmental agencies, the Government will develop a mechanism to promote such initiatives and strengthen the mechanism in the relevant governmental agencies. In order to strengthen intelligence capabilities, the Government will develop necessary mechanisms for gathering, analyzing, consolidating, and sharing information.

With regard to these economic security efforts, the Government will consider taking measures, including the development of mechanisms necessary for the promotion of these efforts.

In addition, in order to address complicated risks faced by our nation’s critical industries, the Government will continue and deepen its efforts to examine and grasp such vulnerabilities and take necessary measures while closely monitoring socio-economic trends.

¹⁰⁶ Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949).

¹⁰⁷ The provision of controlled technology to a “-non-resident” living in Japan is deemed the provision effectuated outside Japan under the export control system pursuant to Article 25 (1) of the Foreign Exchange and Foreign Trade Act.

¹⁰⁸ The soundness and fairness of research (“Research Integrity”), which must be ensured against new risks associated with internationalization and openness of research.

¹⁰⁹ Act on Review and Regulation of Real Estate Usage (Established on June 16, 2021)

(7) Strengthening strategic economic partnerships

(Strategic international cooperation including green and digital fields)

In strategically responding to structural changes in the global economy centering on greening and digitalization, the public and private sectors will cooperate with each other more effectively to demonstrate leadership in international rulemaking.

Based on the “U.S.-Japan Competitiveness and Resilience (CoRe) Partnership”¹¹⁰ launched at the Japan-U.S. Summit in April this year, the Government will strengthen cooperation and initiatives with the United States, focusing on the following three areas: (1) Competitiveness and innovation, including strengthening the resilience of supply chains such as semiconductors, (2) COVID-19 response, global health, and health security, and (3) Green growth, and climate change.

In light of international trends such as the higher target of emission reduction and the enhanced climate change measures announced by participating countries at Leaders Summit on Climate in April this year, Japan will take leadership in decarbonization toward COP26 and beyond, through domestic efforts in achieving net-zero by 2050 and support for the global transition to decarbonization by making the most of our outstanding technologies¹¹¹.

Japan will demonstrate leadership in developing rules for the “DFFT¹¹²” of the digital age through the WTO Electronic Commerce Negotiations, of which Japan is a co-chair.

With regard to the solution to address the international tax challenges arising from the digitalization of economy, the Government will actively contribute to reaching an international consensus on solutions, and will consider ideal forms of fair taxation that will contribute to strengthening the competitiveness of Japanese companies and revitalizing the economy, based on international discussions, etc.

The Government will promote quality infrastructure investment and steadily implement measures based on the “Infrastructure System Overseas Promotion Strategy 2025”¹¹³ in anticipation of the post-Corona era.

With regard to the SDGs, the public and private sectors will work together to transform the behavior of society as a whole, take the initiative in developing international rules, and strengthen innovation and related investments and projects. In particular, Japan will lead the world by strengthening efforts and investments related to the environment, climate change, energy and water cycle, as well as by the achievement of the “Osaka Blue Ocean Vision.” Efforts will also be made in such areas as women empowerment, disaster risk reduction, education, and digitalization. In the health sector, the Government will formulate a strategy for global health, try to expand both public and private funding, and contribute to addressing various to prevent health issues in the world¹¹⁴, including through strengthening health systems global infectious disease and prevention¹¹⁵, with a view to achieving UHC (universal health coverage). Japan will also play a leading role in measures against antimicrobial resistance.

Steady preparation will be conducted for the Expo 2025 Osaka, Kansai, Japan and other large-scale international conventions¹¹⁶ that are scheduled to be held.

¹¹⁰ Attachment to the U.S.-Japan Joint Leaders’ Statement issued on April 16, 2021.

¹¹¹ It includes the utilization of “Japan-U.S. Climate Partnership on Ambition, Decarbonization, and Clean Energy” and “Japan-EU Green Alliance.”

¹¹² Abbreviation for Data Free Flow with Trust.

¹¹³ Decision made at the Infrastructure Strategy Economic Cooperation Meeting Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation on December 10, 2020.

¹¹⁴ This includes support for Gavi, CEPI (Coalition for Epidemic Preparedness Innovations), COVAX (COVID-19 Vaccine Global Access) facility, GHIT, etc.

¹¹⁵ This includes Tokyo Nutrition for Growth Summit 2021.

¹¹⁶ These include the World Horticultural Exhibition 2027, the World Masters Games 2021 Kansai, and the 19th FINA World Aquatics Championships 2022 Fukuoka.

(Expansion and strengthening of economic partnerships including the TPP)

In emphasizing multilateralism, Japan will work to expand the free and fair economic areas as well as to maintain and strengthen the rules-based multilateral trading system, which have been promoted under the TPP 11, the RCEP Agreement, and other agreements. Japan will incorporate the development of the global economy into its economic growth, and play a leading role in creating a desirable economic order.

Through cooperation, amongst other means, in the Indo-Pacific region, Japan will further promote economic partnerships and lead the realization of free and fair trade and investment rules¹¹⁷. In addition, Japan will actively engage in WTO reform.

As the Chair of the TPP Commission this year, Japan will lead discussions for the steady implementation and expansion of the TPP 11. The Government will also work to ensure the early entry into force and implementation of the RCEP Agreement. Japan will further strengthen its economic relations with the United States, the EU, and the United Kingdom through Japan-U.S. Trade Agreement, Japan-EU Economic Partnership Agreement, and Japan-UK Comprehensive Economic Partnership Agreement.

The Government will implement policies in accordance with the “Comprehensive TPP-Related Policy Framework¹¹⁸.” By utilizing investment-related agreements¹¹⁹ and official development aid (ODA)¹²⁰, the Government will encourage Japanese companies’ expansion overseas.

(8) Promotion of FDI in Japan to strengthen growth potential, acceptance and coexistence of foreign nationals

(Promotion of FDI in Japan)

In order to introduce advanced human resources, technologies, and funds from overseas and combine them with our country’s technological and R&D capabilities to create innovation and strengthen the resilience of the supply chain, the Government will further promote FDI in Japan. For this, we will set a new KPI “Aim to double the inward foreign direct investment stocks to 80 trillion yen by 2030 and reach 12% of GDP.”¹²¹ In the future, necessary measures will be taken to achieve the highest possible goal. In order to achieve the KPI, the Government will steadily and integrally implement, through public-private partnership, measures such as promoting the location of production bases of foreign companies in the digital and green sectors, such as advanced semiconductors and offshore windmills, promoting cooperation with Japanese companies, building creative and dynamic innovation ecosystems such as the creation of start-ups and university-originated ventures, accelerating the development of business environments such as the promotion of foreign language translations of laws and regulations, and promoting investment utilizing regional strengths such as tourism, agriculture, forestry, and fishery products. In doing so, from the perspective of security, we will take all possible measures to ensure that FDI in Japan does not damage national security through technology outflow, etc.

(Set-up of an International Financial Center)

In order to expand Japan’s role as an International Financial Center that is open to the world, the Government will develop an environment to facilitate and expedite the provision of English language support for financial administration to newly entering foreign banks and securities companies, to facilitate the granting of points in the points-based system for highly skilled foreign financial professionals, and to promote international arbitration, and to strategically transmit information of high interest to foreign financial institutions, including investment

¹¹⁷ It includes the discussion in the formation of rules in UNCITRAL, etc.

¹¹⁸ Decision on December 8, 2020 by the Government’s TPP Headquarters.

¹¹⁹ Including Latin America and the Caribbean, and Africa.

¹²⁰ Including legal technical assistance.

¹²¹ “Strategy for Promoting Foreign Direct Investment in Japan” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan on June 2, 2021).

policies of large domestic investment institutions such as pensions.

(Acceptance and coexistence of foreign nationals)

In light of the impact of the Infections, the Government will steadily implement measures under the “Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals”¹²² while taking measures to prevent the spread of infections. The Government will promote the acceptance and active participation of highly-skilled foreign professionals, In addition, to add the fields that will accept the Specified Skilled Workers, the administrative authorities in those fields will concretely indicate that those fields suffer from serious severe labor shortages and so on, and Ministry of Justice will preside over appropriate consideration. The Technical Intern Training System should be appropriately revised¹²³ with consideration of human rights, etc. The government will discuss reviewing the Specified Skilled Worker System two years after the system goes into effect and will make efforts to resolve issues such as long-term detention of illegal residents. In addition, the Government will promote the integration of residence cards and individual number cards (Individual Number Card), and enhance measures such as the creation of local communities where foreigners can live comfortably, and the digitalization of procedures for status of residence. Furthermore, including aid for support groups for foreign nationals, the Government will present and promote the ideal from of a society of harmonious coexistence with foreign nationals, and medium to long-term issues and measures, etc. to be addressed to achieve the society.

(9) Enhancing diplomacy and security

Toward the realization of a “Free and Open Indo-Pacific,” Japan will deepen its cooperation with countries and regions that share fundamental values, such as ASEAN, Australia, India, Europe, and Pacific Island countries, with the Japan-U.S. Alliance as the cornerstone. Japan will promote efforts to establish the rule of law, increase the number of Japanese staff working in international organizations, and make effective use of dispute settlement systems, including proceedings before international courts and tribunals. In light of the current international situation, Japan will proactively and positively promote its human rights diplomacy.

In preparation for TICAD8, the Government will contribute to solving various issues with the private sector.

Regarding the relations with North Korea, the Government seeks to normalize its relations with North Korea through comprehensively resolving outstanding issues of concern, such as the abductions, nuclear and missile issues, and settling the unfortunate past in accordance with the Japan-DPRK Pyongyang Declaration. The Government will actively contribute to disarmament and non-proliferation efforts of the international community.

In light of the global pandemic of infectious disease, the Government will work to effectively and efficiently expand development cooperation through ODA, including the promotion of human security¹²⁴. The Government will further strengthen its strategic communications, and will cultivate pro-Japanese groups and those groups with extensive knowledge of Japan.

The Government will strengthen the consular function according to the situation concerning infectious disease in each country to protect Japanese nationals living overseas.

As the basis for these efforts, the Government will promote the development of a diplomatic implementation system by developing human resources systems, fiscal bases, as well as

¹²² Decision by the Ministerial Conference on Acceptance and Coexistence of Foreign Nationals on June 15, 2021 (Revised in FY2021). It describes the Government’s efforts towards extensive matching support for specified skilled foreign nationals, effective support at the Foreign Residents Support Center, strengthening Japanese language education including maintenance and improvement of educational level at Japanese language institutions, the new certification for qualifications and abilities of Japanese language teachers establishing a legal system for promoting utilization of Japanese language institutions, and supporting schooling of children of foreign nationals.

¹²³ Raising awareness and dissemination of the fact that foreign nationals are entitled to equal remuneration with Japanese nationals, etc., and that the place of training can be changed in case of violation of human rights, etc.

¹²⁴ Including cooperation in human resource development by JICA.

diplomatic missions abroad and digitizing relevant operation.

While the security environment surrounding our country is becoming more testing at an unprecedented pace, as seen in the efforts by neighboring countries to strengthen their military capabilities through drastic increases in defense expenditures, etc.¹²⁵, the Government will, based on the “National Security Strategy,”¹²⁶ etc., significantly strengthen the defense capability necessary to respond to such changes, such as joint operations covering new domains, which are space, cyber space, and electromagnetic spectrum, the capability to counter diverse airborne threats, and the procurement, maintenance, etc. of necessary equipment and ammunition, so that it will develop a Multi-Domain Defense Force. At the same time, in order to ensure technological superiority in the field of defense, the Government will strengthen the necessary structure, research and development of game changing technologies, and the defense industrial base. We will reinforce the human resource base by securing sufficient highly qualified SDF personnel and improving treatment, and implement the realignment of U.S. forces in Japan. The Government will continue its deliberation on the enhancement of deterrence.

In addition, not only strengthening Maritime Domain Awareness, in response to the advance of neighboring countries into the sea, Japan will strengthen the coast guard system, including the reinforcement of patrol vessels with sufficient equipment, the promotion of replacement of aging vessels, the enhancement of monitoring capabilities utilizing new technologies by means of remotely piloted aircraft system, and the development of human resources.

(10) Realization of safe and secure lives

In order to ensure good security, the relevant governmental agencies will cooperate as necessary to: prevent the occurrence of terrorism; steadily implement cybersecurity measures. The Government will strengthen measures for anti-money laundering, counter-terrorist financing, and counter-proliferation financing including strengthening inspection and supervision of the financial industry and considering and implementing practical application of a shared system.

With regard to measures to prevent recidivism, the Government will enhance measures for those released upon completion of their term of imprisonment in cooperation with private collaborators such as *HOGOSHI*(volunteer probation officers) and support projects for prevention of sexual offenses. In addition to enhancing and strengthening preventive justice support functions for issues in Japan and abroad and comprehensive legal support, the Government will promote digitalization in the judicial branch. We will enhance and strengthen measures against human rights violations such as slander on the Internet. Based on the “Fourth Basic Plan for Crime Victims, etc.”¹²⁷ the Government will promote policies for crime victims, etc. We will promote “Justice Affairs Diplomacy” under the unified diplomacy by developing the outcome of the Kyoto Congress 2020(the 14th United Nations Congress on Crime Prevention and Criminal Justice in Kyoto) and promote the development of international legal human resources.

In order to develop a safe and secure environment for consumer transactions, the Government will strengthen the protection of consumers by ensuring proper labeling in digital advertisements and promote voluntary efforts by digital platform operators¹²⁸. In addition, the Government will promote consumer-oriented management¹²⁹ and the reduction of food loss and waste, as well as the development of relevant consultation systems and damage relief procedures.

¹²⁵ The defense spending of major countries as a percentage of GDP (FY2019) is as follows: Japan, 0.90%; the United States, 3.05%; South Korea, 2.43%; Australia, 1.93%; the United Kingdom, 1.71%; Germany, 1.25%; and China, 1.20%.

¹²⁶ Cabinet decision on December 17, 2013.

¹²⁷ Cabinet decision on March 30, 2021.

¹²⁸ Including efforts to protect personal information.

¹²⁹ This means management that improves “social value” through “co-creation and collaboration” with “consumers” from the perspective of SDGs, etc.

Chapter 3 Integrated Economic and Fiscal Reforms to Overcome Problems Revealed while Dealing with Infections

1. Progress and results of integrated economic and fiscal reforms and problems revealed while dealing with infections

(Progress and evaluation of integrated economic and fiscal reforms)

Under the basic policy of “Without economic revitalization, there can be no fiscal consolidation,” the New Plan to Advance Economic and Fiscal Revitalization, which was formulated in conjunction with the Basic Policy 2018,¹³⁰ called for integrated revitalization of the economy and public finances and establishing surely a path for fiscal consolidation by the time all of the baby-boomer generation reach 75 years of age. In addition to setting fiscal consolidation targets for achieving the gross PB surplus of the central and local governments in FY2025 and for steady reduction of government debt to GDP ratio, the Government has set a “foundation-reinforcement period” (FY2019 to FY2021), benchmarks for expenditures, basic policies and important issues for reforms in each major sector, and implemented concrete measures based on the “reform time schedule.”

On the economic front, although positive growth had generally continued until the time of the crisis due to the Infections, the slowdown of the global economy and the stagnant rate of productivity growth have prevented the economic growth from achieving and exceeding the required targets for fiscal consolidation; i.e., in real terms of about 2% and in nominal terms of about 3%.

On the expenditure front, the benchmarks has played the role of fiscal discipline to achieve the goal¹³¹. The Government has responded to economic fluctuations caused by the consumption tax rate hike through temporary special measures, and has implemented flexible macroeconomic management to cope with the Infections and disasters through supplementary budgets, etc. This framework, which strictly prioritizes policies and quickly responds to occasional and urgent issues, seems to have contributed to sustainable economic growth by reducing the burden on the people and controlling demand fluctuations. In terms of revenue, the consumption tax rate was raised from 8% to 10% in October 2019. In FY2018, tax revenues of the national and local governments reached a record high of 104.4 trillion yen¹³².

(Impact of the Infections and emerging new challenges)

With timely and appropriate economic measures to cope with the Infections that occurred in the middle of the “fiscal base strengthening period,” Japan’s economic decline in terms of unemployment rate and income level was less than those of major developed countries, but our economy is still below the level before the outbreak of the Infections. On the fiscal front, the ratio of PB to GDP is expected to deviate significantly from the improvement track¹³³ due

¹³⁰ “Basic Policies for Economic and Fiscal Management and Reform 2018” (Cabinet Decision on June 15, 2018).

¹³¹ Budgeting during the fiscal base strengthening period was carried out in accordance with the relevant guidelines. Through various reforms, the substantial increase of the social security expenditure was restrained to the extent equivalent to the increase due to the aging of the population, while the non-social security expenditure actually remained the same with the drastic prioritization of expenditure items in the existing expenditure structure. In addition, with regard to the level of local government expenditures, the total amount of general revenue resources has been maintained at substantially the same level as in the past, in line with the efforts of the national government for general expenditures.

¹³² In FY2019, it was 102.8 trillion yen.

¹³³ The Basic Policy 2018 set, as an interim indicator for achieving the fiscal consolidation target, in FY2021, a substantial halving of the ratio of the national and local PB deficit to GDP (1.5%). However, the ratio of the PB deficit to GDP is currently estimated at 7.2%, an increase in the deficit, as compared with 1.4% at the time when it was set. In this connection, the Cabinet Office submitted to the Council on Economic and Fiscal Policy on April 26, 2021, the “Progress in Integrated Economic and Fiscal Reform,” which analyzes that while efforts to improve expenditure efficiency, mainly in the area of social security, contributed to improvements, the tax revenue decrease before the Infections as well as the effects of the Infections (further drop in tax revenues after the occurrence of the Infections and increase in related expenditures such as the supplementary budget) contributed to the deterioration.

to a decrease in tax revenues after occurrence of the Infections and an increase in expenditures such as the related supplementary budget. If the economy turns to normal through vaccination, etc., it is expected that tax revenue will recover, that temporary increase in expenditures will disappear, and that the situation will be back to the level before the outbreak of the Infections, but the impact of the Infections on medium-to long-term economic and fiscal conditions remains unclear.

The Infections revealed various issues that are required to be tackled in the course of advancing integrated economic and fiscal reform, such as how medical personnel and resources should be allocated during emergencies and normal times, disparities among local governments in the digitalization of administration and online education required by the people, and the necessity of standardization of rules and specifications. With the post-Corona era in mind, it is necessary to build and strengthen a system capable of dealing with these issues, and to restore the fiscal structure, including local public finance, to a normal mode while keeping an eye on the situation of the Infections.

2. Social security reform

(1) Construction of a new mechanism on the occasion of infections

Based on our recent experience in responding to the Infections, it is essential to establish a mechanism to quickly and flexibly switch the medical care provision system between normal and emergency situations in order to prepare for the next surging wave in the number of patients in Japan and to respond to the expansion of any new infectious diseases. For this, we will take measures for the selection of medical institutions that accept patients with the Infections according to their symptoms, the clarification of the division of roles in the treatment of the Infections and other medical care areas, and the recruitment and consolidation of medical specialists as soon as possible.

At the same time, from the perspective of verifying the current response to the Infections and securing emergency and advanced medical care, the Government will promote its regional medical care vision by differentiation and collaborating of hospitalization functions in line with future medical demand through the strengthening of cooperation among hospitals and the promotion of strengthening and intensifying medical case functions through the utilization of the corporation system for promoting regional medical care cooperation, etc. The Government will also promote the functional differentiation and cooperation of medical institutions through the strengthening and spreading of the primary care physician-system, review medical fees that will lead to reform of the medical care service system including the examination of an extended way of comprehensive payment, promote the clarification and differentiation of outpatient functions including clinics, ensure the effective task shifting and the nurse registration system¹³⁴, analyze and resolve issues related to the return to work of nurses who once quit their medical jobs, and develop a high-quality, efficient, and sustainable medical care service system by reviewing medical personnel training courses at medical schools of universities and promoting measures against medical maldistribution. In order to make appropriate use of online medical care in a wide range of areas, the Government will consider a specific case to allow the use of online medical care if the patient's condition can be confirmed in advance while, in principle, the first medical consultation online should be done by the primary care physicians. In addition, the Government will continue to promote safe and secure obstetric care, such as the continued existence of local obstetric care facilities, as well as medical transplantation, and will enhance measures for intractable and rare diseases.

In addition, regarding the promotion of particle beam therapy, which is currently covered by health insurance for a limited number of cancer types, the Government will proceed with studies based on evidence such as efficacy and safety. In addition, the Government will consider, based on the trend toward downsizing and cost reduction of devices, specific

¹³⁴ The Act on the Development of Related Laws for the Formation of a Digital Society (Act No. 37 of 2021) contains the utilization of human resources through the matching of information between job listings and the nurse license holder registry, etc., utilizing Individual Number System.

measures to improve the quality of medical care and patient access to this therapy, while giving due consideration to local conditions such as the characteristics and scale of hospitals.

In view of the new health issues arising from the Corona disaster, the Government will continue to disseminate and raise public awareness on “How to receive medical care effectively” and promote the supporting of people in preventing occurrence and aggravation of illness and in promoting their health based on the Insurer’s Effort Support System, etc. In addition, with regard to cancer, stroke/cerebrovascular disease and cardiovascular disease, and kidney disease, we will grasp how the provision and receipt of medical care changes due to the Corona pandemic, and will consider, based on the results of a survey on tendency that people do not want to have medical examination and consultation, measures to prevent occurrence and aggravation of diseases and to promote people’s health in response to new lifestyles.

In order to promote the commercialization of medical services preventing occurrence and aggravation of diseases and promoting people’s health, the Government will consider revising guidelines for the data health plan, which is formulated by insurers so as to promote the use of comprehensive outsourcing by the private sector and active verification of the effects of new technologies such as new blood tests. In addition, the Government will promote the establishment of appropriate KPIs on an outcome basis as the standardization of the plan progresses. The Government will review the NHI drug pricing standard from the viewpoint of the evaluation of innovation in novel drugs and from the viewpoint of the proper evaluation of long-listed drugs and other drugs, while taking into account the need to ensure transparency and predictability, and will continuously check the scope of insurance benefits for drugs already included in OTC drugs. While verifying the effectiveness of special measures on medical service fees for the Infections, the Government will consider and continue to provide financial support to medical institutions that accept patients infected by the Infections, including measures to cope with declining revenues, as well as support for securing beds and developing facilities, by examining how medical fees, subsidies, and grants should be used in the future. With regard to generic drugs, the Government will promptly secure the quality and the stable supply thereof, conduct verification of new targets¹³⁵, and visualize the implementation status including the use ratio at medical institutions, thereby contributing to the efforts of insurers to optimize medical service costs, and will promote setting of targets based on the effect of medical cost optimization of biosimilars, consider reviewing the addition of a generic drug prescription system based on the relationship with the new targets, and utilization of a formulary¹³⁶ in order to promote further use of these kinds of drugs. The Government will encourage people to have their own family pharmacists and/or pharmacies and will enhance preventive measures against too-much or multiple medication, and will reduce the burden of a patient whose symptoms seems to be stable in visiting a hospital by considering measures allowing repeated use of a prescription within a certain period without going to a medical institution through appropriate cooperation of his/her doctor and pharmacist.

The Government will assess the actual state of the supply chain and establish an emergency supply system for pharmaceuticals, etc., by securing preparation in normal times and introducing extraordinary purchase in emergencies, and will discuss how pharmaceutical approval should be in the event of an emergency.

By the end of FY2022, the Government will promote intensive efforts to establish a system that enables people to access their own health and medical information such as specific health checkup, etc., and that enables any medical institution nationwide to access the information. People can also utilize their health and medical information using private PHR services. The Government will steadily advance challenges on the relevant reforms such as to promote the

¹³⁵ With the aim of ensuring the reliability of the quality and stable supply of generic drugs as the main pillar, the Government and the private sector will work together to strengthen the manufacturing control system, strengthen the supervision of manufacturing sites, and implement quality inspections of commercial products. The goal is to increase the volume share of generic drugs to 80% or more in all prefectures by the end of FY2023.

¹³⁶ It generally means the “Policy on use of drugs prepared at medical institutions, etc., based on medical appropriateness, economic efficiency, etc. (giving priority to generic drugs for chronic diseases with multiple therapeutic agents).”

sharing of information in medical institutions and long-term care institutions and the standardization of electronic medical records and long-term care data for this purpose, to consider the ideal legal system for the protection and utilization of medical information, to develop a system to enable people to access their own health and medical information including images, test data, and long-term care data, to promote evidence-based long-term care and nutritional efforts, to establish a system to share medical information between public health centers and medical institutions to ensure that infected patient recovering at home receive appropriate medical care (including required revisions of relevant laws and regulations), and to promote initiative on health insurance claims review & reimbursement services¹³⁷, in accordance with Data-based Health Management Initiatives Roadmap.

While taking into consideration the efforts based on the Japan-U.S. Joint Statement¹³⁸, the Government will steadily promote the Action Plan for Whole Genome Analysis and the Roadmap 2021 under the principle of patient-first and return-to-patient to provide patients who suffer illness without effective medical treatment so far with personalized medicine and to develop a system so that industry, government, and academia can widely analyze and utilize it. We will promote the development and practical application of software as a medical device and the enrichment of databases to improve access to clinical trial information for patients.

The Government will establish a nationwide electronic disclosure system to upload and publish business reports of medical corporations, and establish a system for early analysis of the impact of the Infections on medical institutions. Likewise, the Government will build a system to oblige long-term care service providers to upload and disclose their business reports, etc., for analysis. With regard to the enhancement of the medical claim system (NDB), long-term use of G-MIS for purposes other than the current Infections countermeasure, and stable operation of COCOA, we will improve their efficiency and convenience through digitalization under the supervision and management of the Japan Digital Agency, and will develop an environment to link these systems with medical and long-term care data and to enable quick analysis.

The Government will promote measures to establish and strengthen the dental healthcare provision system, including the provision of appropriate information on evidence related to the importance of oral health and its relationship with whole health, lifelong seamless dental checkups, the enhancement of dental and oral health by dentists and dental hygienists that will lead to oral frailty countermeasures and the prevention of serious diseases, cooperation among dental professionals, medical dentists, long-term care, and welfare institutions for persons with disabilities, the securing of human resources for dental hygienists and dental technicians, and the prevention of droplet infections. In the future, the utilization of ICT in dentistry will be promoted with a view to increasing services to elderly people requiring long-term care who have difficulty in receiving medical examinations.

In addition, measures will be promoted for mental health including anxiety and depression due to the Infections.

(2) Looking at the entry of the baby boomer generation into the latter-stage elderly, strengthening the foundation and reforms to social security system for all generations

In line with the Basic Policy 2020¹³⁹ and other policies, the Government will steadily strengthen the infrastructure of the social security system, establish a social security system that meets the needs of people living 100 years, maintain world-leading universal health insurance and universal pension, and aim to pass on the system to the next generation as a sustainable one.

¹³⁷ Reform of the healthcare bill check and payment organizations based on the “Roadmap to reform healthcare bill check and payment functions” (March 31, 2021: by the Ministry of Health, Labour and Welfare, Social Insurance Medical Fee Payment Fund, All-Japan Federation of National Health Insurance Organizations), etc.

¹³⁸ This means the Attachment to the Japan-U.S. Joint Statement issued on April 16, 2021, “Japan-U.S. Competitiveness and Resilience (CoRe) Partnership.”

¹³⁹ “Basic Policies for Economic and Fiscal Management and Reform 2020” (Cabinet Decision on July 17, 2020).

With the prospect of the baby boomer generation reaching the age of 75 or older from FY2022, the Government will verify the implementation status of the measures to realize sustainable social security system for all generations in which all generations can feel secure, and will continue to promote such measures. Throughout the process, in order to build a sustainable social security system that is oriented to all generations, the Government will comprehensively examine the social security in general, including medical care, long-term care, pensions, and measures to cope with the declining birthrate, for example, from the viewpoint of the adequate level of burdens according to beneficiary's ability to pay such as raising the maximum amount of insurance premiums to be levied, while balancing benefits and burdens and restraining the increase in burdens on the working generation. The Government will promptly set to these measures.

The Government will strengthen the PDCA cycle of regional medical plan and review the medical cost optimization plan in order to construct an efficient medical care provision system and halve the regional difference of the medical cost per person. Specifically, with regard to the former, in order to promote discussion at regional medical plan adjustment meetings, the Government will develop an environment by, for example, requesting the cooperation of relevant administrative organs in the provision of data and materials, etc.¹⁴⁰, publicize the state of achievement of the construction of the provision system in prefectures, and clarify the responsibilities of prefectures in the event of non-achievement. As for the latter, with regard to the estimates of the costs required for medical care in the prefectural medical cost optimization plan (hereinafter referred to as the "Prefectural Plans") formulated by prefectures (hereinafter referred to as the "medical cost estimates"), the roles and responsibilities of prefectures, such as how to deal with cases in which the actual medical expenses significantly exceed the medical cost estimates, will be clarified by legally securing the consistency between the medical cost estimates, the establishment of the insurance premium rate in each system and the projected financial management, while making efforts to refine medical cost estimates by means of regular revisions, classification by system, etc. In addition, the Government will clarify that the medical cost estimates can be replaced with medical expenses based on action indicators, identify appropriate issues and set appropriate action indicators in order to expand appropriate medical care to regions, and promote horizontal development of good practices in advanced prefectures that set targets for medical expenses based on action indicators. We will promote the optimization of medical cost by requiring insertion of the objective pertaining to "Promotion of efficient provision of medical care" and "Promotion of differentiation and coordination of hospitalization functions" in the Prefectural Plans as well as by designating "Matters related to efforts for medical cost optimization" as requirement for the prefecture's management policy on national health insurances. At the same time, making it mandatory to establish a council of insurers, we will strengthen its involvement in the Prefectural Plans and provide administrative support to it. Medical cost optimization will be clearly specified in the basic principle and purpose of the business operation of the healthcare bill check and payment organizations. The Government will take necessary legislative measures for the review the medical cost optimization plans, etc., in time for the formulation of the Prefectural Plans corresponding to the 4th Medical Cost Optimization Plan period starting in FY2024. From the viewpoint of ensuring the soundness of the national health insurance finance, the Government will encourage the early termination of non-statutory transfer from the general account and continue discussions with local organizations on how to allocate ordinary adjustment subsidies. As medium-to long-term issues, from the viewpoint of strengthening the governance of prefectures, the Government will further examine the ideal medical care system for the latter-stage elderly, which is currently administered by the wide-area federations, and the ideal medical assistance system including participation of public assistance recipients in national health insurance and the medical care system for the latter-stage elderly.

From the perspective of contributing to the reduction of regional differences in the long-term care cost per person, the Government will present a package that includes a review of the best

¹⁴⁰ Other than this, disclosure of the minutes of the meeting and reporting the outcome of the meeting to relevant municipalities will be included.

practice to implement plans for the appropriate payment of long-term care benefits for each prefecture, and visualize the status of efforts based on the evaluation indicators for each municipality. In addition, the Government will continue discussions with local organizations, etc., on how to utilize the adjustment subsidies, taking into account the status of efforts made during the period of the 8th Long-Term Care Insurance Project Plan.

3. New division of roles between national and local governments, etc.

(Response to the challenges faced in the Infections countermeasures)

We must cope with the delay in the wide-area response of the medical service provision system, which was revealed in the present response to the Infections, especially in metropolitan areas. To this end, the Ministry of Health, Labour and Welfare will clarify the wide-area management of the provision of medical services by medical institutions and health center services beyond the statutory third medical areas in metropolitan areas and the division of roles among local governments. The Ministry of Internal Affairs and Communications, in cooperation with the Cabinet Secretariat and the Ministry of Health, Labour and Welfare, etc., will study the relationship between the national government and prefectures, between prefectures in metropolitan areas, and between prefectures and municipalities (including Government-ordinance-designated cities and special wards), based on the challenges that they have faced in dealing with the Infections, and will make efforts to improve the situation through deliberations at the Local Government System Research Council, etc. Furthermore, we will consider how the new division of roles between the national and local governments should be with a view to the necessity in developing relevant laws and regulations, from the viewpoint of concrete promotion of the expansion of the administrative area as a whole and clarification of the division of roles between local governments.

(Complementation and cooperation between local governments, etc.)

In order to secure administrative services in rural areas where the population is rapidly decreasing, it is necessary to promote measures such as wide-area cooperation among municipalities and supplementing small-scale municipalities by prefectural governments, while utilizing digital technologies. For this reason, the Ministry of Health, Labour, and Welfare will take necessary measures to promote support for small local governments by prefectural governments in providing guidance and audit, etc., to business establishments within the long-term care insurance business. The Ministry of Education, Culture, Sports, Science and Technology will take the initiative in promoting the standardization and unification of educational data, digital textbooks, and integrated school administration support systems, as well as the provision of platforms in order to develop a digital environment for education, and strengthen efforts to prevent and eliminate disparities between municipalities in cooperation with prefectural governments, etc. The Ministry of Internal Affairs and Communications and other governmental agencies will promote wide-area cooperation and mutual complementation among prefectures in the development, utilization, and dispatch of experts needed by local governments, and allow municipalities to jointly formulate their plans, in principle, as long as there are no particular obstacles. For this, the Cabinet Office and the Ministry of Internal Affairs and Communications will request each governmental agency to consider necessary measures such as reviewing the system and operation. We will promote integrated and wide-area formulation of siting optimization and regional public transport plans.

(Local finance reform and “visualization” reform of local administration and finance)

We will continue to promote reform and digitalization of local government operations, reform of local public enterprises, wide-area cooperation of water supply and sewerage systems and optimization of rates thereof, reform of local finance and “visualization” reform of local administration and finance, and EBPM (evidence-based policymaking). With regard to budgetary measures with a high degree of freedom implemented by local governments, such as Local Revitalization Grant for the infections response, we will conduct the compared verification on its use, and restore the expenditure structure of local public finances to normal

as soon as the Corona pandemic is over. The Ministry of Internal Affairs and Communications will make efforts to promptly publish local financial data, including financial documents of local public accounting through digitalization, etc.

4. Reform of education, science, and technology in response to digitalization, etc.

In order to accelerate the digitalization of the educational and research environment, which remains slow, and the response to related social issues, the Government will strategically promote policies for science, technology, and innovation, while promptly making changes in educational content and systems.

After making efforts to empirically analyze and verify the educational effects of the GIGA School Program and the downsizing of elementary school classes to 35 students, the Government will consider desirable educational environments and guidance systems at schools, including junior high schools, and will develop a nationwide system by the end of this year to enable schools to shift to online education available at any time in the event of a disaster, including in areas where face-to-face education is difficult due to the Infections. We will present the progress of the above-mentioned programs and future process management by the end of this year to improve the quality of education and prevent gaps in learning environments.

In order to respond to the diverse learning needs of students in connection with digitalization¹⁴¹, the Government will draw a conclusion by the end of this fiscal year regarding the revision of the standards for establishing universities including the standards for facilities, the management of enrollment, and teaching methods, and will revise them one by one. By the end of this year, the Government will draw a conclusion on the legal framework for a new autonomous contract relationship with national universities in order to realize a truly independent, unique, strategically autonomous, world-class national university. We will establish relevant laws and regulations in conjunction with fundamental governance reforms, etc. By the end of this year, the Government will reach a conclusion on a fundamental reform¹⁴² to realize governance that is appropriate for an educational institution as a public service corporation receiving generous tax benefits, and enact relevant legislation. With regard to the national university corporation operating support funds, the Government will further review the allocation of the funds based on the results of objective and common indicators, and will formulate new allocation rules within this fiscal year, thereby enhancing the flexibility of the allocation of financial support to universities, including private school subsidies. The Government will aim at promoting collaboration and integration among universities beyond the framework of national, public and private schools.

The Government will steadily implement the “6th Science, Technology, and Innovation Basic Plan¹⁴³” in an evidence-based manner while increasing private funds to realize Society 5.0 and solve social issues. The Government will strategically promote large-scale research facilities¹⁴⁴, including international ones that will lead the world’s academic frontiers, and will develop and make better use of large-scale research facilities through public-private joint mechanisms, and will aim to improve productivity by establishing a foundation through integrated reform of

¹⁴¹ The 12th Proposal of the Education Rebuilding Implementation Council included the promotion of hybrid education combining face-to-face classes and remote and online education, and the diversification and flexibility of the school calendar and term of study at universities and other educational institutes, such as autumnal enrollment and the four-semester system.

¹⁴² This means the governance reform to ensure that these schools are equipped with governance functions equivalent to those of social welfare corporations and public interest corporations based on “Basic Policies for Economic and Fiscal Management and Reform 2019” (Cabinet Decision on June 21, 2019).

¹⁴³ Cabinet decision on March 26, 2021. In the five years ending FY2025, we will aim to invest 30 trillion yen as the Government’s R&D investment, and 120 trillion yen in total as R&D investment including that by the public and private sectors.

¹⁴⁴ Large-scale scientific research projects in fields such as biology, medicine, particle physics, astronomy, and information science are being studied based on the understanding of the public, the progress of discussions within the scientific community, and the status of international cooperation and responsibilities.

competitive research funds, promotion of utilization of information infrastructure¹⁴⁵, and sharing of facilities and equipment.

5. Reform of social infrastructure development to enhance productivity

Based on the “Priority Plan for Social Infrastructure Development,”¹⁴⁶ etc., the Government will promote efforts to contribute to productivity improvement while promoting digitalization and decarbonization, and will make an early shift to preventive maintenance, including the promotion of the introduction of new technologies and the optimization of public stock through wide-area efforts such as consolidation and reorganization. The Government will promote infrastructure DX including automation of design, construction, maintenance and management, AI utilization, etc.; in particular, “i-Construction” will be promoted by enhancing the ICT construction utilization environment for small and medium construction companies, etc.¹⁴⁷ The Government will promote the enhancement of the content of individual facility plans and the review of comprehensive management plans for public facilities, etc., and grasp and publicize the implementation status of maintenance cycles. While encouraging delayed local governments to take quick measures, the Government will provide priority support to promote efforts to reduce maintenance and management costs. In addition, from the viewpoint of the burden on beneficiaries and appropriate maintenance and management, the Government will consider financial resource measures, etc. In order to contribute to strengthening disaster response capabilities and improving productivity, we will focus on the projects with high stock effects while improving the objectivity and transparency of cost-benefit analysis. In doing so, the Government will make appropriate use of the fiscal investment and loan program.

The originality and ingenuity of the private sector will be adopted to the maximum extent through public-private partnership techniques such as PPP/PFI¹⁴⁸. In particular, the Government will promote the introduction of PPP/PFI by requesting local governments with populations of less than 200,000 to introduce PPP/PFI priority consideration principles and providing them with support for the formulation thereof. Based on this, the Government will make strategic and systematic efforts to improve the efficiency of public works projects and promote stable and sustainable public investment from the medium-to long-term perspectives.

The Government will develop and secure human resources to support the construction industry as leaders by promoting Construction Career Up System, harmonizing construction periods and the like.

In order to revitalize the existing housing market, the Government will promote the improvement of the quality of housing stock, such as high-quality long-life quality housing, advanced measures for vacant houses and support for their utilization and removal, as well as the promotion of linkage of real estate-related data, such as real estate IDs.

With regard to measures for owner-unknown land, based on the Basic Policy¹⁴⁹, etc., the Government will enhance the framework for smooth utilization and management of owner-unknown land, including the development of systems of related organizations.

6. Tax reform in response to structural changes in the economic society.

Structural changes in the economic society such as the declining birthrate aging population, diversification of working styles and life courses, and expansion of new economic activities with the background of digitalization and globalization are accelerating due in part to the effects of the Infections. In light of these structural changes, the Government will review the overall

¹⁴⁵ Including the operation of academic information network (SINET) and supercomputer “Fugaku” and the study on the next generation high performance computing system, etc.

¹⁴⁶ Cabinet decision on May 28, 2021.

¹⁴⁷ We aim at improving the productivity of construction sites by 20% by FY2025.

¹⁴⁸ Based on the PPP/PFI Promotion Action Plan (Revised 2021 Edition) (Decision on June 18, 2021 by the Private Finance Initiative Promotion Council).

¹⁴⁹ “Basic Policy on Promotion of Measures for Owner-Unknown Land” (Decision on June 7, 2021 at the relevant ministerial meeting to promote measures against owner-unknown land, etc.)

tax system from the viewpoint of realizing a change in the economic structure and a virtuous cycle in the economy toward the post-Corona era, and building a stable tax revenue base that does not hinder economic growth while improving the redistribution function of tax by strengthening the principle of ability to pay. The Government will continue to promote tax reform, from the viewpoint of building a fair and neutral tax system based on the diversification of working styles and life courses and preventing the consolidation of disparities, etc., while taking into account the Basic Policy 2020, the mid-term report of the Tax Commission¹⁵⁰, and international trends, etc. From the viewpoint of ensuring trust in the tax system through the realization of fair and appropriate taxation, reducing costs for society as a whole, and improving corporate productivity, the Government will strengthen efforts from both the institutional and enforcement systems, such as developing an environment for identifying appropriate income, improving the level of bookkeeping, and promoting the digitalization of tax procedures. The Government will contribute to reaching an international agreement on the review of international taxation rules in response to the digitalization of economy.

7. Establishment of a frame for further promotion of integrated economic and fiscal reforms, and promotion of Evidence-based Policy Making (EBPM)

(Basic approach)

Under the concept of “the economy is the foundation of public finance,” the Government will continue to implement flexible macroeconomic management in accordance with economic conditions, such as the impact of the Infections. At the same time, the Government will work to overcome deflation and revitalize the economy by improving productivity, realizing a virtuous economic cycle through increasing wage income, and taking in overseas demand, and will aim to achieve economic growth above about 2% in real terms, and about 3% in nominal terms¹⁵¹, and the early realization of the 600 trillion yen economy. Toward this end, the Government will continue existing efforts to reform government expenditures, including thorough implementation of the Wise Spending and prioritized allocation of budgets to the four driving forces of growth, the visualization, the national rollout of cutting-edge examples of best practice and the incentive reform which encourage the changes in awareness and behavior among all strata of the population, industrialization of the public sector, and maximum utilization of private sector vitality in terms of funds and human resources, including PPP/PFI and mutual assistance. At the same time, the Government will promote revenue reforms, such as strengthening the principle of ability to pay.

(Fiscal consolidation target and expenditure targets)

In addition to making all-out efforts to overcome deflation and revitalize the economy, we will secure the sustainability of social security in order to eliminate the anxiety of future generations, and establish surely a path for fiscal consolidation by the time all of the baby-boomer generation reach 75 years of age. To this end, the Government will firmly maintain the fiscal consolidation target of the Basic Policy 2018 (To aim to achieve the gross PB surplus of the central and local governments in FY2025. At the same time, to aim for steady reduction of the public debt to GDP ratio.). However, in light of the current economic and fiscal situation, which remains unstable due to the Infections, the impact of the Infections on economic and fiscal conditions will be verified within this fiscal year, and based on the results of the verification, the target fiscal year will be reconfirmed.

Based on the fact that the benchmarks for expenditures have served as fiscal discipline, the Government will continue the same efforts to reform government expenditures for three

¹⁵⁰ Keizai shakai no kozo henka wo fumaeta Reiwa jidai no zeisei no arikata [An optimal tax system for the Reiwa era in the light of changes in the socioeconomic structure] (September 26, 2019)

¹⁵¹ The Basic Policy 2018 states, as a point of the scenario for achieving the fiscal consolidation target, that it is necessary to advance expenditure reforms in line with the target and to achieve economic growth above about 2% in real terms and about 3% in nominal terms in order to realize fiscal consolidation.

years from FY2022 to FY2024¹⁵² as in the previous period¹⁵³ in the course of working to strengthen economic growth while implementing flexible macroeconomic management, and will compile a budget in accordance with the following benchmarks¹⁵⁴.

- 1) With regard to social security expenditures, the policy is to aim to keep the essential increase within the levels equivalent to the expected increase due to population aging during the foundation-reinforcement period, and the policy will be continued based on the future economic situation and price movements and the like.
- 2) With regard to general expenditures other than social security expenditures, the Government will continue existing efforts to improve government expenditures, with consideration of the future economic situation and price movements and other such factors.
- 3) With regard to the level of local government expenditures, while keeping in line with the efforts of the national government's general expenditures, the Government will ensure that the total amount of general revenue sources necessary for stable fiscal management of local governments, including those receiving local allocation tax grants, shall be maintained substantially at the same level as that of the FY2021 Fiscal Plan of Local Governments, and not below.

(Inspection of integrated economic and fiscal reforms, promotion of EBPM, etc.)

Including this frame, the Government will continue to promote the integrated economic and fiscal reform based on the New Plan to Advance Economic and Fiscal Revitalization, etc., implement the reform process by the end of this year, and monitor, inspect, and evaluate the progress of the reform every year. In addition, the Government will separately identify and follow up on the amount of expenditure incurred in response to the Infections and whether the expenditure was effective and efficient.

The progress in the integrated economic and fiscal reforms will be examined in FY2024, which is the final year of budget formulation in line with the benchmarks for expenditures, and will be reflected in subsequent efforts for expenditure and revenue reforms to achieve the fiscal consolidation target.

From the viewpoint of promoting EBPM, the Government will prioritize the budget allocation to the measures which are supported by evidences and to the data collection to build evidence, and will draw up an Evidence Development Plan for Integrated Economic and Fiscal Reforms (tentative name) by the middle of this year with the aim of establishing a mechanism to verify policy effects with data by utilizing data held by administrative organs and the private sector. In order to accelerate the use of data, which is the basis for policy evaluation, the Government will formulate a policy for standardizing data publication formats so that all core statistics will be published in principle in a database-type format. Rapid collection of real-time socioeconomic data on the Infections, etc., improves analytical capabilities, and leads to detailed policy making. As part of these efforts, KPIs related to the well-being will be set for various basic plans of the Government.

8. Structural reform and external economic relations toward the future economic society

Under the new international economic order, the Council on Economic and Fiscal Policy will establish a committee consisting mainly of experts, with a view toward the middle of the 21st century, to formulate basic concepts for structural reform and external economic relations for

¹⁵² The growth rate of the population aged 75 or older is expected to be 0.5% in FY2021, and in FY2022 when the baby boomers start turning 75, it is forecasted to be 4.1%, and thereafter 4.2% in FY2023, and 3.9% in FY2024.

¹⁵³ The three-year period from FY2019 to FY2021, which is the foundation-reinforcement period.

¹⁵⁴ In order to respond to the increase in fiscal demand that is truly necessary, the Government will continue to promote the measures stipulated in the New Plan to Advance Economic and Fiscal Revitalization, such as taking the measures for expenditure reform into consideration when permanent revenue increases are secured through institutional reforms. In doing so, the Government will refer to the fact that foreign countries, including the United Kingdom and the United States, are taking measures to finance their resources for fiscal spending.

the future economic society, including the establishment of strategic external economic relations, digital utilization in economic society life, development of economic society structures toward achieving net-zero by 2050, and expansion of mechanisms for utilizing private-sector vitality and mutual assistance.

Chapter 4 Economic and Fiscal Management for the Immediate Future and Guiding Principles in Budget Formulation for FY2022

1. Economic and Fiscal Management for the Immediate Future

With a strong decision not to return to deflation, the Government aims to restore the economy to the pre-Corona levels at an early date, create new jobs and incomes in growth fields, and realize a “virtuous cycle of growth and employment” in which diverse people play an active role.

For the time being, while continuing to take all possible measures to prevent the spread of Infections, the Government will protect the lives and livelihoods of the people by taking priority and effective measures to secure employment, maintain businesses, and support people’s livelihoods in the face of severe economic impacts. Furthermore, by boldly attracting private-sector demand in growth fields such as green and digital industries, and by strongly promoting investment in human resources and smooth labor mobility, the Government will enhance productivity, promote continuous hike of wages, and realize a self-sustaining growth track led by private demand. To this end, the Government will promptly and appropriately implement the “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope¹⁵⁵” including the third supplementary budget for FY2020, and the FY2021 budget. We will continue to monitor the infection status and economic impact of the disease, and take necessary measures as needed, depending on the situation, by utilizing the reserve fund for countermeasures against novel coronavirus infections. At the same time, we will continue to implement flexible macroeconomic policies without hesitation toward autonomous economic growth in our country.

The Bank of Japan enhances monetary easing with a view to doing its utmost to support financing mainly of firms and maintaining stability in financial market. The Government expects the Bank of Japan to pay careful attention to the economic impact of the infections and conduct appropriate monetary policy management, and achieve the price stability target of two percent in light of economic activity, prices and financial conditions.

2. Guiding Principles in Budget Formulation for FY2022

- 1) As mentioned above, the Government will give top priority to economic support and recovery by implementing flexible macroeconomic policy management without hesitation according to economic conditions suffered by the impact of the Infections, and will strive to realize a virtuous economic cycle by improving productivity and increasing wage income.
- 2) Considering the fact that the baby boomer generation reaches 75 years of age, in order to eliminate the anxiety of future generations, the Government will promote reforms to social security system for all generation, steadily promote integrated economic and fiscal reform, and compile budgets for social security-related expenditures, non-social security-related expenditures among general expenditures, and local expenditure levels in accordance with the benchmarks prescribed in Chapter 3.
- 3) The Government will make focused (prioritized) allocation of resources (prioritization) on green, digital, regional revitalization, and children and childcare.
- 4) With regard to the overall expenditures, the Government will steadily implement reforms on both the expenditure and revenue sides, such as implementing wise spending and

¹⁵⁵ Cabinet decision on December 8, 2020.

strengthening the principle of ability to pay on the revenue side.