

Provisional Translation

Basic Policy on Economic and Fiscal Management and Reform 2022

June 7, 2022  
Cabinet Decision

The content of the Basic Policy on Economic and Fiscal Management and Reform 2022 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal Management  
and Reform 2022

For a New Form of Capitalism  
—Achieving a Sustainable Economy by  
Harnessing Processes to Overcome Challenges to  
Drive Growth—

June 7, 2022

# **Basic Policy on Economic and Fiscal Management and Reform 2022**

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1. Immediate economic and financial management
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## **Chapter 1 Changes in the Environment Surrounding Japan and the Japanese Economy**

### **1. Addressing changes in international affairs and solutions to social issues**

We are living in a world that is not simply an extension of the recent past. Earthshaking structural changes are occurring in the environment surrounding Japan, driven by such elements as the world-upending COVID-19 pandemic, Russia's aggression against Ukraine that has shaken the very foundations of the international order through a unilateral change of the status quo by force, challenges to democracy and liberalism posed by authoritarian nations, and climate change that must be addressed without a moment's delay, while Japan at home faces overseas outflow of income due to soaring import resource prices in the midst of a still fragile recovery, declines in both population and birthrates and an aging population exacerbated by the COVID-19 pandemic, stagnant potential growth rates, and frequent and intensified disasters, so simultaneous difficulties are confronting Japan from both inside and outside in a complexly interwoven fashion.

We must therefore not simply overcome these difficult circumstances but also to position the efforts to solve these social issues into our growth strategy as a wellspring of creating added value and, by implementing prioritized investments through public-private collaboration and regulatory and institutional reforms in a systematic manner over the medium to long term, simultaneously resolve these issues and achieve economic growth, all the while activating "the New Form of Capitalism" to make economic and social structures more resilient and sustainable in the face of change. By upgrading our own capitalism in this way, we will further strengthen our free and fair economic system.

For this reason, this "Basic Policy on Economic and Fiscal Management and Reform 2022" presents

- guidelines for macroeconomic management to overcome our immediate difficulties, and
- basic guidelines for public-private partnership investment in priority investment sectors aiming to realize a "new form of capitalism" whose pillars comprise "investment in people" that enhances both growth and distribution, investment in science and technology/innovation, investment in startups, investment in green transformation (GX), and investment in digital transformation (DX).
- At the same time, this Basic Policy identifies efforts to resolve social issues by utilizing the capabilities of the private sector, which is the goal of the Form of New Capitalism, as well as the direction for reforms to realize a diverse and inclusive society and transition from a unipolar society to a multipolar one to revitalize communities.
- Furthermore, it offers a direction for strategic diplomacy/security, closer cooperation with like-minded countries and economic security to respond to changes in the international environment such as the increasingly challenging situation in East Asia and the rise of

authoritarian nations while maintaining Japan's status as a nation open to trade and investment from around the world.

- The Basic Policy goes on to outline fundamental guidelines for preventing and mitigating disasters that will ensure a resilient and sustainable economy, for stepping up national resilience and recovering from the Great East Japan Earthquake, and for ensuring safe and secure livelihoods for the nation's people.
- In addition, the Basic Policy presents guidelines for tackling integrated economic and fiscal reforms to build strong and sustainable economic, fiscal and social security systems that will serve as the foundation for implementing these policies, and offers guidelines for economic and financial management that ensure consistency between short-term and medium- to long-term objectives as well as the approach taken in compiling the budget for FY2023.

## **2. Short-term and medium- to long-term economic and financial management**

(1) Macroeconomic management in the midst of recovery from the COVID-19 pandemic and the situation in Ukraine

(Macroeconomic management for the immediate term)

The Japanese economy has continued to pick up despite strong downward pressure from COVID-19 infections. During this period, we have been strengthening medical care provision systems, accelerating vaccinations and otherwise improving the environment for a recovery in economic and social activities, at the same time safeguarding people's livelihoods from the effects of the COVID-19 pandemic and laying the foundations for sustainable post-pandemic growth by mobilizing all policy options available to support people's income and employment, in particular pursuing financial measures and offering other comprehensive support to individuals and businesses that were severely impacted. As we were doing so, the military invasion of Ukraine by Russia took place in February this year.

With uncertainty about international commodities, financial markets and the global economy as a whole rising significantly, Japan's macroeconomic management will be fully committed for the time being to a two-step approach. Given that the recovery from the COVID-19 pandemic is still so fragile, we will first do our utmost to avoid any further harm to people's livelihoods and the economy already hard-hit by the COVID-19 pandemic by taking urgent measures<sup>1</sup> to address soaring international prices of crude oil, raw materials, grains, etc., due to the situation in Ukraine as well as concerns about the supplies of scarce goods and provide full support to people in dire straits. This will prevent the economy from slumping and ensure the recovery of economic and social activities from the COVID-19 pandemic.

The possibility of further rises in the price of crude oil and other goods due to new waves

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<sup>1</sup> "Comprehensive Emergency Measures to Counter Soaring Crude Oil and Other Prices under the COVID-19 Pandemic" (approved at the April 26, 2022 meeting of the Council of Ministers on Soaring Crude Oil and Other Prices).

of infection and a protraction of the situation in Ukraine is likely to continue making circumstances unpredictable, so we will promptly respond to unforeseen fiscal demand by utilizing budgeted funds to secure peace of mind for the public.

As the second stage, we will quickly flesh out these general measures to jump-start the grand designs and action plans for this Basic Policy and the New Capitalism and put these measures into practice. This will restore the dynamism of economic activity lost due to the COVID-19 pandemic while addressing medium- to long-term issues, and will achieve at an early stage a “virtuous cycle of growth and distribution” whereby wide-ranging, diverse and revitalized economic growth will extend to every corner of the country. At the same time, we will attract booming overseas demand into the Japanese economy by restoring international flows of people and tourism demand and by further promoting foreign direct investment in Japan. In addition, Japan will take the lead in making structural changes to the world by pursuing reforms to establish an economic structure resilient to changes in the international environment, including those in the energy sector.

Going forward, we will continue to maintain the framework of economic and fiscal management for joint promotion of bold monetary policies, flexible fiscal policies, and growth strategies that will encourage private investment. The macro economy will be managed flexibly without hesitation to achieve autonomous growth led by private demand, and to break away from deflation. The Government expects the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner in light of economic activity, prices and financial conditions. We expect the Bank of Japan to achieve the price stability target of two percent in a sustainable and stable manner in light of economic activity, prices and financial conditions.

(Countermeasures against infectious diseases to normalize economic and social activities)

To combat the COVID-19 pandemic, we will bolster the medical care provision system by providing necessary financial support and visualizing outcomes and conduct step-by-step reviews that pay close attention to infection rates and mutant strain outbreaks with the aim of normalizing economic and social activities as soon as possible.

To bolster the medical care provision system, we will arrange for dedicated beds for COVID-19 patients by following statutory procedures to require/request governmental/public hospitals in the National Hospital Organization and elsewhere to set aside such beds, drawing up a list of individual hospitals to identify the availability of these beds, and increasing availability and occupancy of beds as an outbreak spreads, and by setting up a system to ensure that persons requiring hospitalization will be promptly assigned a hospital bed or accepted into temporary medical facilities, etc.

In addition to specifying the number of medical institutions and dispatchers able to cooperate in dispatching medical personnel in individual prefectures so that temporary

medical facilities can operate smoothly when infections spread, we will dispatch medical personnel to temporary medical facilities set up at governmental/public hospitals in each prefecture.

We will pursue medical DX, improve the infrastructure for handling medical information, and utilize G-MIS and medical receipt data to thoroughly “visualize” the operating status of the medical system in terms of bed availability/occupancy and the numbers of online medical examinations.

We will as far as possible reduce the threat of COVID-19 to society as a whole by reinforcing prevention, discovery and early treatment procedures via the widespread use of vaccines, testing, oral therapeutic agents, etc. We will also put in place a system for smoothly confirming vaccination status by, for example, efficiently confirming vaccination histories at entry points into Japan through the digitalization of vaccination certificates using Individual Number Card (“My Number Card”).

To increase the international flow of people, we will review border measures to enable smooth entry on par with other G7 countries and otherwise relax border measures while striking a proper balance between infection prevention and socioeconomic activities. We will also deal flexibly with any mutant strain that emerges.

We will continue conducting studies and research that help in elucidating the epidemiology and pathophysiology of post COVID-19 condition.

Furthermore, we will objectively evaluate responses thus far to the COVID-19 pandemic and, in preparation for the next infectious disease crisis, we will in or around June of this year compile measures deemed necessary from a medium- to long-term perspective, such as enhancing command-and-control functions to rapidly and precisely deal with crises, examine approaches under the Infectious Disease Act<sup>2</sup> and ensure a sound healthcare system.

## (2) Medium- to long-term economic and financial management

Well-planned, focused investment through public-private collaborations will be promoted for sustainable economic growth. The government will boost growth potential and help create demand through this stimulation of private investment and continual increases in income, while facilitating labor mobility into future growth sectors. We will also take comparative advantage more than ever and stimulate domestic investment by curbing domestic income outflow overseas through energy efficiency and decarbonization and by strengthening cooperative relationships with countries with which Japan shares the same values. Furthermore, we will step up our efforts to restore inbound traffic, promote exports of agriculture, forestry and fishery products and exports by small and medium-sized enterprises, and encourage structural changes in industry.

In doing so, all possible measures will be executed, taking on without hesitation the fiscal

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<sup>2</sup> Law Concerning the Prevention of Infectious Diseases and Medical Care for Patients of Infections (Law No. 114 of 1998)



expenditures necessary to address the crises. It is the economy that underpins fiscal administration and not the other way around. The government will faithfully rebuild the economy. The government will also work to put public finances on a sound footing.

## **Chapter 2 Reforms for the New Form of Capitalism**

### **1. Focused investment areas for the New Form of Capitalism**

#### **(1) Investment in and distribution to people**

Amidst a wave of major changes stemming from digitalization and decarbonization, “people” are the driving force for demonstrating creativity and creating added value in Japan, which faces a labor shortage due to a declining population. To realize autonomous economic growth, it is essential not only to increase profits and income by stimulating private investment and improving productivity but also to provide future growth opportunities by expanding “investment in people”. “Investment in people” can be seen as a core investment in the foundations common to science, technology and innovation, start-ups, GX, and DX, where systematic and prioritized investments are being made for the “New Form of Capitalism”.

Based on this idea, we will promote wage increases to strengthen distribution to workers and accelerate the accumulation of human capital by investing in vocational training, lifelong education, etc. In conjunction, in order to fully realize the potential of a diversity of individual human resources, we will work to put in place an environment in which people can make use of skill development and safety nets regardless of their age, gender or regular/non-regular employment status, can choose their jobs of their own free will, and can choose from a variety of work styles according to their individual wishes.

#### **(Investing in human capital)**

In order to dramatically strengthen “investment in people” while expanding high-quality employment through priority investment in growth sectors, we will put together a package of measures to budget about 400 billion yen for allocations over a three-year period through FY2024 based on ideas solicited from the general public aimed at strongly supporting workers in ways that allow them to improve their skills voluntarily and move into growth sectors such as digital technology.

We will promote corporate governance reforms, create a common understanding with shareholders that human investment is the basis of sustainable value creation for companies, formulate rules for disclosure of non-financial information during this year, and revise the form of quarterly disclosures. We will also revise corporate disclosure rules to rectify the gender wage gap. We will further require companies receiving large-scale support from the government to commit to medium- to long-term value creation through human capital

investment, etc.

At the same time, we will create an environment to promote re-learning (recurrent education) across society as a whole<sup>3</sup>. We will visualize and appropriately evaluate the results of re-learning, promote career advancement and concurrent/side jobs utilizing the results of re-learning, enhance support and improve the environment for those who are willing to learn, support the development of programs tailored to the needs of growth sectors, organize dialogues on re-learning among industry, academia and government, and strengthen human resource development through recurrent education in companies.

While working on the above human investment, we will continue to gradually reduce the special measures for employment adjustment subsidies while giving due attention to communities in which infections are spreading and companies facing particularly severe business conditions and keeping a close eye on the employment situation. On the other hand, we will strive for smooth labor mobility through investment in people and strong job-hunting support and respond to labor demand in growth fields, etc. In conjunction, we will work to improve the treatment of non-regular employees and support their promotion to regular employees by thoroughly enforcing equal pay for equal work.

We will also be strongly pursuing measures to counter declining birthrates as well as child welfare policies, which are important not only for achieving an inclusive society but also for “investing in people”.

(Promoting diverse work styles)

Along with human capital investment efforts, we will promote work style reforms with the aim of increasing worker engagement<sup>4</sup> and productivity, and will create an environment in which workers can choose from a variety of work styles, including job-focused employment, based on their individual needs, and take on active roles.

From this point of view, we will work to clarify labor contract relations, including clear indications of the scope of changes to places of employment and job duties. From the perspective of enabling new graduates and young people who have been out of university for a few years with specialized knowledge and skills to play an even more active role, we will work with industry and academia to consider employment and recruitment methods and to show a direction by fiscal year 2022. We will further study approaches to working hour systems, including discretionary working systems, based on the results of a fact-finding survey on discretionary working systems and changes in working styles due to digitization. We will also create an environment where freelancers can work with peace of mind, such as establishing laws to clarify contracts when businesses deal with freelancers and enhancing

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<sup>3</sup> Based on “Universities that will drive the future of Japan and the state of society (first proposal)” (approved by the Council for the Creation of Future Education on May 10, 2022).

<sup>4</sup> A concept indicating the willingness and commitment of workers to contribute independently to their organizations and work while their organizations' goals align with the direction of their growth and while they find the work rewarding and satisfying

consultation systems.

We will promote high-quality telework that can make effective use of time and place to popularize diverse work styles suited to the post-pandemic “new normal”. While also considering facilitating labor mobility, we will broaden the range of occupational choices for workers and promote side/concurrent jobs from the perspective of promoting diverse career development. Since a selective four-day workweek can be utilized for childcare, long-term care, etc., as well as local side businesses, we will encourage the introduction and dissemination of this system in companies by collecting and providing case studies of good practices. In addition, we will work to facilitate a smooth transition of personnel from NPOs and other organizations, etc., to worker cooperatives that create diverse employment opportunities while contributing to local communities.

For national public employees, we will further promote work style reforms by abolishing and streamlining existing business, improving the digital environment in the workplace, and making work styles more flexible, all the while strategically implement measures to secure and develop human resources, such as increasing the number of applicants for recruitment examinations, facilitating mid-career recruitment including digital human resources, and reskilling the workforce, etc.

(Achieving high-quality education)

We will accelerate the responses by universities, technical colleges, professional training colleges, etc., to social changes, including fostering innovative human resources capable of dealing with digitalization, in order to realize a “virtuous cycle of growth and distribution” in education and human resource development as well as a “New Form of Capitalism” through investment in people. We will therefore promptly proceed with necessary efforts to address the following issues based on the first set of recommendations offered by the Council for the Creation of Future Education.

We will strive to enhance learning support for a new era. Accordingly, we will expand scholarship grants and tuition fee reduction and exemption to the middle class, who are in high need, such as multi-child households and science, technology and agriculture students, while keeping permanent financial resources in mind. We will establish a flexible repayment/payment (career progress payment) system that also takes into account life events by reviewing the reduction system of monthly installment and firstly introducing a new system that allows students to pay according to their income after graduation without paying tuition fees while attending school to graduate school students. And then, upon giving due consideration to the point of how parents, students themselves and the national government bear education costs as well as to the possibility of gaining public understanding and acceptance of this new system, we will conduct studies<sup>5</sup> toward full-scale introduction of the

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<sup>5</sup> Includes consideration of legal positioning

new system for students not eligible for the current tuition fee exemptions, securing reliable financial resources. We will also work to establish an environment in which everyone, including young people, can learn regardless of the financial situation of the household, such as by creating public-private joint study support programs and promoting support for local governments and companies that support scholarship repayment.

We will enhance the functions of universities, etc., that nurture human resources who will support the future. To this end, toward the reorganization of universities toward growth fields such as digital, green and stronger industry-academia-government collaboration, we will proceed with the construction of the necessary mechanisms such as investigation of support for reorganization that can be foreseeably undertaken over multiple years and the utilization of well-balanced private school subsidies. In doing so, we will set specific goals such as aiming to bring the percentage of students majoring in natural science (science) fields, which is currently only 35%, to about 50%, the highest level among OECD countries, and pursue intensive efforts over the next five to ten years that take advantage of the independence of willing universities. With the aim of creating and utilizing “convergence knowledge (So-Go-Chi)” that comprehensively utilizes knowledge in all fields to cope with appropriately to social issues, we will promote the selection of university entrants and the switchover to learning that combines the humanities and sciences while placing value on expertise, and accelerate the development of human resources that transcends the boundaries of humanities and science. We will also bolster graduate school education by developing human resources through joint research between young researchers and companies.

(Wage increases/minimum wage)

This year, the wage increase rate, which has been declining in recent years, is reversed, but prices are rising due to the situation in Ukraine, etc.<sup>6</sup> Under these circumstances, we will aim to expand the trend toward wage increases to SMEs through appropriate distribution within supply chains and to further expand the momentum for wage increases throughout the country.

For this reason, we will aim to increase added value, which will be a source of wage increases, through support such as business restructuring and productivity improvement that will help improve the vitality of SMEs, and work to create an environment where prices can be suitably passed on. We will also promote utilization of the drastically expanded wage increase promotion tax system, prioritize government procurement from companies that have raised wages, and encourage wage increases among local SMEs as well.

The Council of New Form of Capitalism Realization will seek to create consensus on price pass-throughs and various ways of working, and will the appropriate ways of raising wages based on data and evidence.

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<sup>6</sup> The consumer price index (overall) in April 2022 was higher by 2.5% year-on-year

Raising the minimum wage is also an important policy decision for investment in people. To further improve the environment for raising the minimum wage, while working on providing carefully-tailored support for SMEs engaged in business restructuring and productivity improvement and on making corrections to unfair trade practices, we will aim to raise the national weighted average of the mandatory minimum wages to 1000 yen or more as soon as possible, with due consideration for addressing regional disparities in keeping with economic conditions and price trends, and we will tackle these increases. Based on this idea, the public and private sectors will work together to raise the minimum wage, tripartite minimum wage councils with representatives from the public interests, workers and employers will robustly discuss the amounts of these wage increases in light of the living expenses of workers, the wages of workers and the enterprises' ability to pay the wages.

(“Doubling Asset-Based Income Plan” for “a shift from Savings to Investment”)

More than a half of Japan's personal financial assets of 2,000 trillion yen are held in deposits and cash. With the aim of doubling asset-based income through investment, we will mobilize all policies and -promote boldly and significantly the shift from savings to investment by such means as drastically expanding the NISA (Nippon Individual Savings Account) program, reforming the iDeCo (Individual-type Defined Contribution Pension plan) for the elderly, and setting up new mechanisms to steer people's deposits and savings into asset management. We will formulate a comprehensive “Doubling Asset-Based Income Plan” inclusive of these approaches by the end of this year. In doing so, we will improve financial literacy of households to help them more steadily build wealth, and we will put in place systems to promote the visualization of the amount of pension to be received in the future, improve the provision of information using digital tools, and encourage appropriate advice, solicitation and explanation by financial instruments business operators, etc., so that households can choose financial products more appropriately.

## (2) Investment in science and technology/innovation

The power of science, technology and innovation is indispensable for converting social issues into engines of economic growth. In particular, the fields of quantum technologies, AI, and other biotechnology and medical fields such as biomanufacturing and, regenerative/cellular medicine and gene therapies are science and technology fields that are directly linked to Japan's national interests. Accordingly, we will set forth a clear national strategy, and the public and private sectors will work together to drastically expand investment in science and technology and revive Japan's standing as a nation of science and technology. In addition, we will give incentives to companies that increase R&D investment and create the post of science and technology advisor at the Prime Minister's Office to provide information and advice to the prime minister. We will strive to build a small

satellite constellation, strengthen Japan's rocket launch capabilities, and step up efforts in space science such as a Japanese lunar surface landing and other lunar and Mars exploration as well as in the field of ocean including Arctic research.

We will aim to considerably strengthen universities<sup>7</sup>, which serve as bases for creating innovation. We will establish governance systems such as participation of professional human resources in management in order to contribute to sustained creation of innovation and autonomy at universities for international research excellence that receive support from the University Endowment Fund in a competitive environment in order to realize research universities on par with the best in the world, and will take the necessary measures such as regulatory reforms at an early stage. We will aim to drastically strengthen strategic management through such means as industry-academia-government collaboration so that core regional universities can demonstrate their unique strengths and better themselves through contributions to socioeconomic development in their regions<sup>8</sup>.

We will strongly support young human resources who are the leaders of innovation. Beginning with improving the treatment of doctoral students, we will give promising prospective researchers attractive prospects for their whole career paths and deepen support measures that allow them to concentrate on their research. We will support the activities of young people around the world, including development promotion of the donation-based "Tobitate! (Leap for Tomorrow) Study Abroad Initiative"<sup>9</sup> program and work to revitalize the international brain circulation that has stagnated due to the COVID-19 pandemic.

### (3) Investment in startups (new establishments)

Startups are the bearers of the "new form of capitalism" that can contribute to solving social issues such as environmental problems and child-rearing issues while creating innovation that is the driving force of economic growth. By creating an environment where such startups can be newly born and leap ahead, we will aim to achieve a "second founding period" following the initial founding period of postwar Japan. To that end, we will clarify command-and-control functions for executing this approach, formulate a five-year startup development plan at the end of this year with a view to increasing by 10 times in five years, and boldly deploying these startup policies.

Specifically, to resolve the difficulty of raising funds faced by startups, we will review the IPO<sup>10</sup> process to make it possible to raise sufficient funds at the time of IPO, and put in place an environment for stock options, etc., for growth of startups that require a lot of time until

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<sup>7</sup> Creation of co-creation bases by improving educational and research environments through integrated "software" and "hardware" approaches

<sup>8</sup> Based on the "Comprehensive Promotion Package for Regional Core and Distinctive Research Universities" (approved by the Council for Science, Technology and Innovation on February 1, 2022).

<sup>9</sup> An initiative supporting study abroad through public-private collaboration

<sup>10</sup> Initial Public Offering

they become commercially viable. We will also aim to expand investment through limited liability investment of public capital in domestic and overseas venture capital, including attracting overseas venture capital, and will work to form procedures to circulate long-term investment funds from individuals such as angel investors and long-term investment funds such as pension funds and insurance companies to venture capital and startups. In addition, we will improve the environment for procuring growth funds by revamping programs to allow loans that do not depend on personal guarantees and real estate collateral and by creating a mechanism that enables the procurement of growth funds by establishing security interests over all assets.

At the same time, we will develop and secure human resources to support entrepreneurship. Specifically, we will drastically expand support measures for human resources with unprecedented excellent ideas and skills in growth sectors and support the development of venues other than homes and schools where children's talents can be discovered and nurtured. In addition to aiming for smooth labor mobility by promoting side/concurrent jobs through information disclosure, etc., we will support matching between researchers at universities and other external management personnel. We will also pursue the establishment of consultation desks by specialists supporting the management of startups.

In order to support R&D and market development at startups, we will aim to vitalize open innovation that incorporates the knowledge held by startups through M&A and joint R&D with existing companies, and we will utilize public procurement, including strengthening the SBIR system<sup>11</sup>. In addition to expanding support in collaboration with venture capital and strengthening support for drug discovery ventures, we will collaborate with overseas universities to establish bases for R&D of innovative technologies and startup creation that will be operated on the basis of private funds.

In addition to the above, we will get cooperation of universities, etc., including the development of entrepreneurial bases, and promote the protection and utilization of intellectual property and undertaking regulatory and institutional reforms. As a result, we will create a world-class startup ecosystem and tackle the creation of startups on a large scale.

#### (4) Investment in green transformation (GX)

We will significantly accelerate public-private partnerships to realize a decarbonized society and, open up new growth frontiers through expanding domestic investment while taking all possible measures to ensure energy security. Looking ahead to the achievement of net-zero GHG emissions by 2050, under public-private partnerships, we will formulate the roadmap by the end of this year based on the Clean Energy Strategy interim report that outlines the path to socioeconomic and industrial structure reforms for decarbonization.

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<sup>11</sup> Small Business Innovation Research

To realize investment of more than 150 trillion yen over the next 10 years, we will embody and make maximum use of the vision of “Pro-Growth Carbon Pricing” that has an effect on maximizing both growth promotion and GHG emissions reduction/absorption.

Under this vision, we will consider raising prior government funds of sufficient size to lead public-private investment of more than 150 trillion yen, through “GX Economy Transition Bonds (tentative name)” backed by future financial resources, and promptly providing investment support in a foreseeable manner over multiple years.

We will also embody a new scheme as the “investment promotion measures that integrate regulation and support” to make use of such regulations as the Act on the Rationalization etc. of Energy Use<sup>12</sup> and to expand the introduction of new energies such as hydrogen and ammonia as well as decarbonized power sources.

In addition, we will draw up the concrete roadmap to increase the predictability of corporate investment, including the step-by-step development and utilization of the GX League to accelerate firms’ efforts to reduce GHG emissions, the utilization of novel financial methods such as Transition Finance as a stimulus for private investment, and the promotion of the global outreach strategy such as Asia Zero Emissions Community.

Toward materialization of such novel policy initiatives, “GX Executive Council” will be newly set up at the Prime Minister’s Office this summer to further deepen discussions and promptly reach conclusions.

Toward industrial GX starting from energy, we will work on a prioritized environment development to support decarbonization investment. Considering potential future use of synthetic fuels in automobiles with an internal combustion engine, with a view to achieving some goals such as 100% of new passenger vehicle sales being for vehicles that are electrically driven (electric vehicles, fuel cell vehicles, plug-in hybrid vehicles and hybrid vehicles) by 2035, we will be aiming for intensive introduction of such vehicles by promoting large-scale investment in batteries, etc., supporting purchases of such vehicles, improving charging and refueling infrastructure, and encouraging small, medium, and micro-sized suppliers, etc. to transform their business. With regard to renewable energies<sup>13</sup> on the major premise of S+3E, on the top priority as major power sources, we will pursue bold reforms to strive for their maximum introductions while reducing burdens on the public and co-existing with local communities, steadily invest in transmission/distribution networks and power sources<sup>14</sup>, and encourage distributed energy systems and other approaches to genuine local production for local consumption. Furthermore, we will promote R&D, human resource development, and industrial base reinforcement in pursuit of all options, such as

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<sup>12</sup> the Act on the Rationalization etc. of Energy Use (Law No. 49 of 1979)

<sup>13</sup> Renewable energies are independent domestic energy sources that can also contribute to energy security

<sup>14</sup> Including compatibility/strengthening of flood control and hydroelectric power generation through advanced dam operation



hydrogen/ammonia<sup>15</sup>, CCUS/ Carbon Recycling, advanced nuclear power, and fusion energy. In addition, we will promote the formation<sup>16</sup> of Carbon-Neutral Ports, etc.<sup>17</sup> and the decarbonization of the maritime, air and ground transport sectors including the use of sustainable aviation fuel (SAF).

To transform the energy supply-demand structure of industry, we will support low-carbon investment in energy-intensive industries, including conversion to non-fossil energies, while thoroughly implementing energy efficiency improvement measures.

We will seek to accelerate regional decarbonization, including investment in regional decarbonization transition efforts, by fostering human resources able to play active roles in decarbonization, supporting capacity building of decarbonization in corporate management at SMEs and regional financial institutions<sup>18</sup>, and supplying funds<sup>19</sup>. To switch people's lifestyles, we will encourage consumers to change their awareness and behavior via the point system, etc., promote ZEH and ZEB<sup>20</sup>, etc., including reinforcement of regulatory measures such as energy-saving measures and support for purchasing and renovating energy-saving houses, and accelerate promotion of measures to increase forest sinks activity, etc.<sup>21</sup> From the perspective of overcoming resource constraints and ensuring autonomy, we will also promote the circular economy transition<sup>22</sup>, including the resource circulation for plastics.

To achieve these GX initiatives, we will work on developing social systems and infrastructures by expanding support through the Green Innovation Fund, reforming regulatory measures and engaging in international standards, etc. We will strive quickly to build a desirable environment for expanding the sustainable finance market<sup>23</sup> and then attract domestic and foreign<sup>24</sup> ESG finance, by aiming to realize the Green International Financial Center where environment-related products such as green bonds are traded, enhancing the quality and quantity of disclosure based on TCFD<sup>25</sup> recommendations, etc., and supporting the supply of funds for transitions and innovations. We will also pursue

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<sup>15</sup> While looking ahead to the mass introduction of domestically-produced hydrogen and ammonia, we will support the early reduction of fuel price differences with other fuels and the establishment of bases in order to build domestic and overseas supply chains.

<sup>16</sup> Includes decarbonization of industrial clusters

<sup>17</sup> Includes the development of base ports to support the promotion of offshore wind power generation

<sup>18</sup> Includes support organizations such as local financial institutions and SME groups

<sup>19</sup> Includes regional decarbonization transition/renewable energy promotion grants and efforts by the organization promoting decarbonization which will be established based on the revision of the Act on Promotion of Global Warming Countermeasures

<sup>20</sup> Abbreviations for Net Zero Energy House and Net Zero Energy Building

<sup>21</sup> Includes promotion of wood utilization in buildings and efforts pertaining to blue carbon (carbon derived from carbon dioxide absorbed and stored by marine ecosystems)

<sup>22</sup> Includes the formulation of a roadmap and a strategy, and the promotion of resource circulation throughout the life cycle of materials such as rare metals as well as daily necessities and other products

<sup>23</sup> Includes an enabling environment for attracting private investment in the forest sector, including through expanded transactions of forest-derived carbon credits and designing a REIT market for forests

<sup>24</sup> Includes not only major institutional investors but also regional financial institutions, individual investors, and other sources of funds, as well as local governments and other recipients of funds

<sup>25</sup> Abbreviation for Task Force on Climate-related Financial Disclosures

research and development of Green GDP (name tentative).

#### (5) Investment in digital transformation (DX)

To make administrative and regulatory systems suitable for the digital age, we will promote the digital, regulatory and administrative reforms in an integrated manner. During an intensive reform period covering three years from now, we will revamp laws and regulations such as visual inspection regulations, residency/full-time regulations based on the “ Plan for Mass Overhaul of Regulations in line with Digital Principles,”<sup>26</sup> ensuring digitalization. In addition to promoting DX and standardization in the logistic area, including the use of self-driving cars, eVTOL (electric Vertical Take-Off and Landing), and low-speed/small automatic delivery robots, and MaaS or mobility as a service, we will develop and implement expeditiously a Regtech Map technology roadmap making all technologies, including sensors, drones, AI diagnosis, IoT technology, and big data analysis fully utilized in our society. Furthermore, we will promote regulatory reforms related to speeding up procedures and reducing costs of start-ups. Upon the idea of not being obsessed with the government’s infallibility, we will pursue more agile and flexible policy making and its evaluation<sup>27</sup>, such as utilizing digital technology to promote EBPM-based decision-making in the process of budget formulation, etc. Additionally, we will review the government's procurement of digital information systems to resolve issues such as vendor lock-in.

We will pursue measures based on the “Cybersecurity Strategy”<sup>28</sup>. We will also promote the development of a fair competitive environment in the mobile phone market and encourage charge reduction. Moreover, we will aim to further develop quasi-zenith satellites, make advanced use of geospatial (G-Spatial) information, and utilize/apply satellite data.

Based on the “Priority Policy Program for Realizing Digital Society”<sup>29</sup>, the entire government, centered on the Digital Agency, will steadily pursue the digitization of government, applying the Three Digital Principles<sup>30</sup> as the basic principles, to form a digital society that contributes to the sustainable and sound development of the Japanese economy and the realization of a happy life for the people. In pursuit of a policy of aiming to distribute Individual Number Cards (“My Number Card”) to almost all citizens by the end of FY2022, we will promote efforts to improve convenience for people, such as expanding the utilization of the Individual Number Cards (“My Number Card”), and promote the use of

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<sup>26</sup> Approved by the Digital Extraordinary Administrative Advisory Committee on June 3, 2022

<sup>27</sup> Various initiatives included in the recommendations of the Administrative Reform Promotion Council's Working Group on Agile Policy Formulation/Evaluation (May 31, 2022) and the recommendations of the Ministry of Internal Affairs and Communications' Policy Evaluation Council (May 31, 2022)

<sup>28</sup> Approved by the Cabinet on September 28, 2021; includes human resource development, R&D, foundation for monitoring, analyzing, and sharing attacks, and ensuring safe and reliable telecommunications networks

<sup>29</sup> Approved by the Cabinet on June 7, 2022

<sup>30</sup> Digital First, Once Only, Connected One-Stop

Individual Number Cards (“My Number Card”), including appropriate public relations efforts, such as providing support to strengthen the issuance system in cities, towns and villages.

Based on the “National Data Strategy”<sup>31</sup> and led by the Digital Agency, we will develop data platforms for medical /long-term care, education, infrastructure, and disaster prevention at an early stage to strengthen the data infrastructure that is indispensable for the realization of a digital society.

We will conduct studies to reduce the burden of tax procedures and other procedures on individuals and corporations, such as improving the convenience of Mynportal. We will also promote information sharing between government agencies with the aim of utilizing it for administering benefits, such as using Individual Number (“My Number”) to ensure prompt and accurate public benefits for needy households.

In addition, the Ministry of Internal Affairs and Communications will revise the “Local Government DX Promotion Plan”<sup>32</sup> to promote digitalization efforts by local governments such as securing digital human resources, strengthening networks between them and utilizing digital technologies including AI / RPA, or local government Individual Number Card Points, that are in step with the initiatives of the national government.

## **2. Efforts to resolve social issues**

(1) Creating social value via the private sector

(Promoting public-private collaboration by utilizing PPP/PFI, etc.)

We will significantly strengthen our efforts pertaining to PPP/PFI<sup>33</sup>, which utilizes private funds and know-how for public facilities, based on a new action plan<sup>34</sup> as an initiative for “new public-private partnerships” that will constitute the core of the New Form of Capitalism. The next five years will be set as a “priority execution period” for forming a foundation for autonomous development of PPP/PFI, and relevant measures will be intensively introduced while utilizing and strengthening the functions of the Private Finance Initiative Promotion Corporation of Japan, and we will encourage a wide range of efforts by local governments. In doing so, we will consider improving the system for grants, etc., to further promote the utilization of PPP/PFI.

We will introduce concessions to stadiums/arenas, cultural facilities, transportation terminals, etc., and expand<sup>35</sup> the scope of utilization to include project formation for

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<sup>31</sup> Attachment to “Priority Plan for the Realization of a Digital Society “ (approved by the Cabinet on June 18, 2021)

<sup>32</sup> Established by the Ministry of Internal Affairs and Communications on December 25, 2020

<sup>33</sup> Expected to create business opportunities for the private sector while reducing and equalizing financial burdens by utilizing private-sector funds and know-how

<sup>34</sup> “PPP/PFI Promotion Action Plan (2022 Revised Edition)” (approved on June 3, 2022 by the Council for the Promotion of Private Finance Initiatives)

<sup>35</sup> A method by which part or all of the consideration for the services of private businesses is determined by the achievement status of indicators relevant to the level of services

maintaining, managing and updating infrastructure such as roads that also utilizes performance criteria-linked methods-linked methods<sup>36</sup>, and we will strengthen the lateral application of leading examples of good practices for water supply, sewage, and educational facilities.

Based on the experience of the COVID-19 pandemic, we will promote the introduction of concession to all airports in principle while proceeding to examine risk sharing.

We will utilize this as a driving force for the Vision for a Digital Garden City Nation to form a new utilization model for familiar facilities such as parks and community learning centers, which are places for community interaction, and will strongly promote the formulation of projects by promoting the installation of local platforms in all prefectures, supporting the formulation and enforcement of priority examination rules, and visualizing and disseminating information on project effectiveness. We will also work to strengthen the private proposal system, such as giving incentives to proposers, to further exercise the ingenuity of the private sector.

In addition, we will promote the utilization of the Timber Harvesting Rights System.

(Promoting social impact investment, creating a mutual assistance society)

To realize a “New Form of Capitalism” through a “virtuous cycle of growth and distribution,” we will have the private sector exert its full potential to resolve social issues that heretofore have been regarded as the government’s domain and thereby upgrade capitalism. We will also strengthen support for social entrepreneurs by promoting donation culture and venture philanthropy.

We need to measure “impact” in addition to the conventional factors of “risk” and “return”, and use “problem solving” as another metric for evaluation in capitalism. An increasing number of entrepreneurs are aiming to solve social issues and achieve economic growth, and we will broaden this base through efforts to support the development of the social sector and support entrepreneurs who aim to step up further.

From this point of view, we will consider whether or not there is a need for a new format for corporations that play a public role in the private sector as a new form of public-private partnership, and we will set up a venue for the Council of New Form of Capitalism Realization to consider the matter. At the same time, we will consider reforming existing corporate forms such as foundations and associations from the viewpoint of improving convenience for the private sector. When reviewing the Dormant Deposit Utilization Law<sup>37</sup> five years after its enactment, we will evaluate the efforts so far, proceed with examining investment and

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<sup>36</sup> LABV (abbreviation of Local Asset Backed Vehicle; a method by which local public organizations invest public real estate in kind to establish a new business entity with a private business operator and thereby effectively utilize public real estate).

<sup>37</sup> Law on the Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector (Law No. 101 of 2016)

lending approaches, methods, etc., and take necessary measures such as reaching conclusions within this fiscal year. We will promote the efficient and effective solution of complicated social issues through Pay For Success contracting system (PFS) including SIB<sup>38</sup>, and work to improve the environment<sup>39</sup> to attract social impact investment. For social bonds<sup>40</sup>, we will enable appropriate disclosure of the social benefits from project implementation. We will develop guidelines and present examples of indicators for each social issue that can be used as references for issuers. In educating entrepreneurs, we will consider strengthening the system for fostering social entrepreneurs.

We will improve the environment for promoting the activities of corporations engaging in specified non-profit activities, including the promotion of online office work in accordance with the NPO Law<sup>41</sup>, and promote collaboration through public-private partnerships.

(Improving a competitive environment that will drive innovation)

To improve a competitive environment that promotes innovation and corporate growth responding to rapid socioeconomic changes, we will strengthen the advocacy functions of the Japan Fair Trade Commission to study areas where competition is not working due to trading practices and regulations and recommend improvements for trading practices and regulatory revisions.

(2) Realizing an inclusive society

(Measures to address declining birthrate, child welfare policies)

The faster-than-expected decline in birthrates has created an extremely critical situation<sup>42</sup>, and issues surrounding children such as child abuse, bullying, and refusal to attend school have become serious and urgent. Accordingly, we will establish a “the Children and Families Agency” to reinforce systems for pursuing child welfare policies, and we will place efforts and policies related to children in the center of Japanese society with the idea of always putting the best interests of children first.

We will aim for a society whose members have hopes and dreams for marriage, pregnancy, childbirth, and child-rearing and, based on the “Outline of Measures for a Society with Declining Birthrate”<sup>43</sup>, etc., designed to achieve “a desired birthrate of 1.8”, we will pursue

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<sup>38</sup> Abbreviation for Social Impact Bond; a type of PFS contracting system with the fundraising for the project from a financial institution or other fund provider, and repayments, etc. are made in accordance with the performance-based payments by local governments

<sup>39</sup> Enhancing support over multiple years, including project formation, and promoting cooperation with intermediate support organizations

<sup>40</sup> The bonds where the proceeds are allocated only to projects which aim to contribute to the solution of social issues

<sup>41</sup> Law to Promote Specified Nonprofit Activities (Law No. 7 of 1998)

<sup>42</sup> The number of births continued to decline for five consecutive years after falling below one million in 2016, and the (approximate) number of births in 2021 was 812,000, the lowest ever. The total fertility rate also rose to 1.45 in 2015, but fell again for the sixth consecutive year to 1.30 in 2021.

<sup>43</sup> Approved by the Cabinet on May 29, 2020

comprehensive efforts tailored to the life stages of marriage, pregnancy/childbirth and child-rearing, back efforts by local governments to support marriage by reducing the economic burdens of newlyweds and providing opportunities and venues for meeting potential partners, enhance seamless support from pre-pregnancy to pregnancy/childbirth and child-rearing, and work to support a balance between work and child-rearing, such as promoting the steady implementation of the “New Child-rearing Relief Plan”<sup>44</sup> and the promotion of child-rearing services for sick children. As support for pregnancy and childbirth, we will promote support for pregnant women and postpartum care, including support for infertility and recurrent pregnancy loss and utilization of digital consultations<sup>45</sup>, and we will discuss reducing financial burdens through such approaches as increasing lump-sum childbirth and childcare allowances. We will work to support those who have experienced miscarriage or stillbirth. We will pursue efforts to secure payment of child support and to facilitate safe and secure visitation exchanges between parents and children. We will also examine approaches to child allowances based on the supplementary provisions of the amended Child Allowance Law<sup>46</sup>.

To provide an environment where all children can grow up safely and securely, we will introduce a mechanism (a Japanese version of DBS) that requires a sexual criminal background check of persons seeking to work in educational and childcare facilities, consider child death reviews (CDR) for prevention purposes, offer support by ascertaining the actual circumstances of preschoolers and utilizing vacant capacity at nursery schools, create mechanisms, including the use of SNS, etc., to reflect children's opinions in policies, enhance shokuiku [meaning food and nutrition education] through school lunches, etc., and create a variety of spaces for children such as after-school children's clubs and children's cafeterias. We will support children's cafeterias, home-delivery meals and food banks for children, etc.,<sup>47</sup> to alleviate child poverty and strengthen monitoring.

To guarantee healthy growth without leaving any child behind regardless of the environment in which the child is being raised, we will further strengthen child abuse prevention measures, support young carers, young pregnant women and single-parent families, link up data for early detection and push-type support of children and families who truly need support, support children with disabilities including children with medical needs, and promote anti-bullying measures. While smoothly enforcing the revised Child Welfare Act by working to strengthen the family support functions of municipalities, thoroughly implementing the principle of prioritizing family care such as enhancing foster parent support, and stepping up independence support for those who have experienced social care, we will bolster systems designed to ensure the needed quality and quantity of child guidance

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<sup>44</sup> Announced on December 21, 2020

<sup>45</sup> Easy-to-access support for pregnant women such as online consultations using SNS

<sup>46</sup> Law to Partially Amend the Child and Child Care Support Law and the Child Allowance Law (Law No. 50 of 2021)

<sup>47</sup> Consideration will be given to utilizing an intermediate support corporation

centers, including promoting the acquisition of professional certification.

Regarding child welfare policies, we will systematically compile the policies necessary from the perspective of children, enhance these policies and robustly implement them. We will undertake wide-ranging studies on the stable financial resources necessary for these policies, including determining how the costs should be borne by society as a whole with the understanding of citizens at every level of society<sup>48</sup>. In doing so, we will secure sufficiently stable financial resources by invoking the principle of ability to pay and making revenue reforms so as not to put off these burdens onto the children themselves and promptly take necessary support measures based on effectiveness and priority. To secure stable financial resources, we will consider a new framework in which all participants in the society and the economy, including companies, work together to bear a wide range of burdens from a standpoint of fairness.

(Active roles for women)

To realize “women’s economic empowerment” positioned at the core of the “New Form of Capitalism” based on “The Intensive Policy for Gender Equality and the Empowerment of Women 2022 (The Basic Policy on Gender Equality and Empowerment of Women 2022)”<sup>49</sup>, we will oblige large companies to disclose the gender pay gap in order to eliminate any gender gap, and we will steadily implement the “Digital Human Resources Development Plan for Women”<sup>50</sup>. We will carefully ensure equal pay for equal work and improve the treatment of non-regular employees, who are mostly women. We will also consider the social security system and tax system<sup>51</sup> from the perspective of women. In addition to not allowing telework and various other work styles to be withdrawn to prevent a return to pre-pandemic work styles, we will steadily implement work style reforms such as encouraging men to take childcare leave and rectifying long working hours, improving the environment to make it easier for men to participate in childcare and otherwise enabling men to play an active role in households and communities. In addition, we will work to expand the participation of women in a wide range of fields, including the expansion of promotion and recruitment, and promote the utilization of babysitters and housekeepers. We will also promote efforts to realize a society in which women can live with dignity and pride by providing support for women’s health, assistance for women facing difficult problems, further promoting Femtech, taking measures to prevent harm from appearing in pornographic videos, combatting sexual crimes and violence, and enforcing measures against spousal violence.

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<sup>48</sup> To further improve the quality of child and child care support, we will appropriately secure financial resources, including from sources other than the consumption tax

<sup>49</sup> Approved by the Headquarters for Creating a Society in which All Women Shine and the Headquarters for the Promotion of Gender Equality

<sup>50</sup> Approved by Council for Gender Equality on April 26, 2022

<sup>51</sup> See The Intensive Policy for Gender Equality and the Empowerment of Women 2022

By fostering comprehensive understanding and support for eliminating gender bias and promoting learning and field selection in science and engineering, including IT fields for female junior and senior high school students, we will accelerate efforts<sup>52</sup> to improve the percentages of female teachers and female students in science and engineering.

(Creating a harmonious society)

We will promote the development of a comprehensive support system in municipalities, such as projects to develop multi-layered support systems, to realize a harmonious society. In addition, we will strengthen support for independence consultations for people in need to respond precisely to issues that have become apparent due to the COVID-19 pandemic. We will regularly review welfare standards based on verification results from comparisons with consumption levels and on socioeconomic circumstances, etc.

To realize a society where people regard a long life as a happy one, we will pursue the building of communities in which the abundant life experiences of the elderly are respected and which serve as inspiration for heart-to-heart connections among all residents. Based on the National Framework for Promotion of Dementia Policies<sup>53</sup>, we will support people with dementia and their families by establishing venues in which dementia supporters can play active roles in their communities, while at the same time pursuing comprehensive efforts to support the protection of rights, including an adult guardianship system, based on the Second Basic Plan for Promoting the Use of the Adult Guardianship System<sup>54</sup>. We will steadily support employment and information communication for persons with disabilities and implement measures to support those suffering from deafness or intractable diseases. We will also promote measures to address mental health issues, including anxiety and depression caused by infectious diseases.

We will encourage a correct understanding of sexual minorities and create an environment in which society as a whole accepts diversity.

While accelerating the introduction of community schools through collaboration between communities and schools, we will establish evening classes at junior high schools, improve learning environments<sup>55</sup> for children with disabilities, including children with medical needs, and promote various hands-on activities for persons with disabilities as well as lifelong learning inclusive of such activities.

We will undertake efforts to accelerate universal design in community development and

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<sup>52</sup> Based on the “Policy Package Regarding Education and Human Resource Development toward the Realization of Society 5.0” (approved by the Council for Science, Technology and Innovation on June 2, 2022), and the first proposal of the Council for the Creation of the Future of Education

<sup>53</sup> Adopted at Ministerial Council on the Promotion of Dementia Policies on June 18, 2019

<sup>54</sup> Approved by the Cabinet on March 25, 2022

<sup>55</sup> Includes efforts to eliminate the shortage of classrooms at special needs education schools



“barrier-free mind”<sup>56</sup> measures such as improving the hospitality of transportation companies and promoting the proper use of facilities for the elderly and disabled<sup>57</sup>, and we will seek to make railways and other infrastructure barrier-free by also utilizing frameworks in which users shoulder the charges.

(Measures against loneliness and isolation)

While steadily implementing the measures in the “Priority Plan for Measures against Loneliness and Isolation”<sup>58</sup>, we will further promote these efforts with the cooperation of all ministries and agencies. We will prioritize measures based on the results of fact-finding surveys, enhance measures from the perspective of “prevention” and reflect them appropriately in the prioritized plan. We will leverage the so-called “social prescribing”, improve the environment for full-scale implementation of one-stop consultation counters, reduce loneliness and isolation in daily life such as meals and housing, enhance support measures that offer support to those who have withdrawn from society, pursue outreach-based approaches and measures that offer assistance from people of the same generation and the same sex, and put in place to ensure this support reaches those who need it. From the perspective of promoting public-private partnership efforts, we will encourage activities on public-private partnership platforms at the national level, continually provide carefully-tailored support of the activities of NPOs, etc., by encouraging more widespread use of multi-year contracts, and laying the groundwork for the formation of public-private partnership platforms in rural areas. In conjunction, we will consider supporter assistance and other ways of promoting support for the various activities of NPOs, etc., pertaining to measures to combat loneliness and isolation.

We will promote comprehensive suicide countermeasures based on the “The General Principles of Suicide Prevention Policy”<sup>59</sup> that is scheduled for review, including tailored consultation support by SNS and other means to address the rising number of suicides among young people and women.

(Support for the “employment ice age” generation)

As support for the employment and social participation of the employment ice age generation, in addition to the three-year intensive effort period through the current fiscal year the Government has set the two-year period beginning in FY2023 as the “Second Stage” during which the government will provide effective and efficient support based on the

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<sup>56</sup> A state of mind in which all people, with their various physical and mental characteristics and differing mindsets, engage in communication with each other and support each other to deepen their mutual understanding.

<sup>57</sup> Barrier-free toilets, parking facilities for wheelchair users, elevators at passenger facilities, priority seats in vehicles, etc.

<sup>58</sup> Approved by the Council for the Promotion of Measures for Loneliness and Isolation on December 28, 2021

<sup>59</sup> Approved by the Cabinet on July 25, 2017

verification of the effects of measures heretofore, and build up a track record. The Government will encourage hiring by private companies through providing seamless assistance from consultation, education and training to employment and retention, with promoting the hiring of public employees<sup>60</sup> and supporting the efforts of local governments, and provide individualized and more attentive assistance. Through current and Second-Stage efforts, the Government will aim to increase the number of regular employees of this age group by 300,000 by promotion of better working conditions and encouragement of working and social participation.

### (3) Promoting multipolarization and regional revitalization

To correct the overconcentration of functions in Tokyo, spread concentrations over multiple areas and achieve a national land structure that complements and disperses social functions, we will strongly promote regional revitalization utilizing the distinguishing characteristics of regions by implementing the Vision for a Digital Garden City Nation. We will also pursue conventional regional revitalization and promote the creation of a decentralized country. Through bottom-up economic growth originating in rural areas, we will strive to realize a sustainable economy and society, improve well-being for individuals and society as a whole, and establish a “society where anyone can live conveniently and comfortably anywhere in the country.”<sup>61</sup>

#### (Vision for a Digital Garden City Nation)

Based on the “Basic Policy on the Vision for a Digital Garden City Nation”<sup>62</sup>, we will seek to achieve the Vision for a Digital Garden City Nation through a four-pronged approach: (1) resolving local social issues by utilizing the power of digital technologies, (2) developing both hardware and software as digital infrastructure, (3) training and securing digital human resources, and (4) undertaking efforts to ensure no one is left behind

We will accelerate the implementation of smart cities, which play a part in this vision, by thoroughly promoting EBPM-based initiatives and developing methodologies for human resource development. We will pursue efforts for education that leaves no one behind anywhere in the country in keeping with the GIGA School Program. To ensure that disparities in access to information and communications do not arise among regions, we will further improve communication infrastructure such as 5G/optical fiber, construct regional data

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<sup>60</sup> In addition to continuing the national civil servant mid-career recruitment selection examinations (for the “employment ice age” generation) through FY2024, we will continue efforts to hire existing national civil servants with experience. Even in local areas, the national government will request that active recruitment be carried out in line with the actual circumstances of local governments.

<sup>61</sup> For example, cashless payments have made headway, Individual Number Cards (“My Number Cards”) have been widely used, and convenient new services such as the sharing economy have been created

<sup>62</sup> Approved by the Cabinet on 7 June, 2022

centers, submarine cables, etc., establish local councils, consider setting up a Vision for a Digital Garden City Nation Fund, pursue efforts designed to ready society for a post-5G/Beyond 5G era from 2025 onward and to conform to international standards<sup>63</sup>, and undertake efforts to develop 2.3 million digital promotion personnel by the end of FY2026.

At the same time, we will promote Super City and Digital Garden Health Special Zone that are expected to lead the Vision for a Digital Garden City Nation.

(Creating a decentralized country, rebuilding local public transportation networks)

To buttress the supply chains that support Japan's growth and people's livelihoods and put in place an environment conducive to regional revitalization through tourism, etc., we will promptly improve and utilize the movement of goods and people via high standard roads, new Shinkansen lines, the Linear Chuo Shinkansen, ports, fishing ports, etc., maintain and vitalized air transport networks, achieve AI terminals with an eye to round-the-clock port operation, and bolster the competitiveness of Japan's shipbuilding and shipping industries.

Regarding the Linear Chuo Shinkansen, we will promote early installation between Shinagawa and Nagoya by pursuing efforts to resolve issues pertaining to water resources, environmental conservation, etc., and we will collaborate with the local governments along the route and provide them with needed guidance and support so that the companies involved in the construction can begin in 2023 making environmental impact assessments between Nagoya and Osaka in order to move up the schedule for opening up the entire route<sup>64</sup>.

To form sustainable and diverse local living areas that help realize the Vision for a Digital Garden City Nation, the government through legislation, etc., will play a central role in establishing a new forum for transportation companies and local governments to participate in discussions in rebuilding local public transportation networks to make them more sustainable and convenient through public-private co-creation between transportation companies and local governments, and we will review regulations and provide effective support through unconventional approaches. We will also strengthen modal connections<sup>65</sup>, enhance environments for using bicycles, promote measures relating to ensuring traffic safety on school routes and elsewhere, and promote barrier-free development.

We will enhance infrastructure functions based on technological developments and trends such as autonomous driving.

In response to the tour boat accident that occurred in Shiretoko, Hokkaido, we will work on comprehensive safety measures for passenger transportation on small vessels and

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<sup>63</sup> Includes R&D for next-generation communication with ultra-low power consumption and initiatives for its public deployment

<sup>64</sup> We utilized fiscal investment and loan programs in 2016 to move up the plan for fully opening the Linear Chuo Shinkansen line between Tokyo and Osaka by up to eight years (as soon as 2037) from the initial target of 2045 and, over the two years of 2016 and 2017, we provided three trillion yen in long-term, fixed low-interest loans.

<sup>65</sup> Connections between transportation modes such as highway buses, railways, passenger cars, and fixed-route buses

enhance the Japan Coast Guard's rescue and emergency system.

(Create decentralized virtual spaces)

There is a growing movement to create new value by allowing users to manage and utilize their own data, as seen in the advocacy for a more decentralized and reliable Internet and the profusion/spread of digital assets on the blockchain<sup>66</sup>, and we will aim to put in place the environment necessary to realize such a decentralized digital society.

To that end, we will promote efforts to refine functions and conform to international standards to achieve a Trusted Web<sup>67</sup>. We will also consider improving the environment for the implementation of Web3.0<sup>68</sup> such as the use of NFT<sup>69</sup> and DAO<sup>70</sup> based on blockchain technology. Furthermore, we will submit relevant bills at the ordinary Diet session in 2023 to expand the use of content, including the Metaverse<sup>71</sup>. To promote Fintech, we will establish systems for raising funds with security tokens (digital securities), relax screening standards for cryptographic assets with due consideration for user protection, and formulate interpretation guidelines for their economic function as a payment method<sup>72</sup>.

(Expansion of relevant populations and community development leveraging individuality)

To promote "migration without changing jobs" by creating and expanding related populations, enabling residence in two or more locales, and utilizing teleworking in rural areas, we will support local efforts to ascertain the status of relevant populations and solicit "hometown tax" payments, to promote exchange and collaboration with local companies and local human resources, to utilize a nationwide unoccupied house/lot information registration system, and to set up satellite offices<sup>73</sup> by utilizing vacant houses and corporate "hometown tax" payments. To encourage people to return to local areas, we will enhance human resource support to local governments for regional revitalization cooperation teams, etc., and deploy managerial personnel who will form the core of community development to 100

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<sup>66</sup> Also called a distributed ledger, this information technology records transfers of assets and rights while participants share the same ledgers without the need for a specific ledger manager

<sup>67</sup> A mechanism to strengthen data control by individuals and corporations without depending on a specific service, it adds new trust frameworks on the Internet, such as mechanisms for verifying counterparties and the data being exchanged with them

<sup>68</sup> Abbreviation for Non-Fungible Token; this is "digital data that cannot be forged or tampered with", and users are able to add unique properties to digital data to ensure its authenticity and to track transaction history on the blockchain

<sup>69</sup> Abbreviation for Decentralized Autonomous Organization; this is an organization in which anyone can participate without being controlled by a centralized entity, and transactions are automatically recorded on the blockchain, making it highly transparent and fair.

<sup>70</sup> A concept attracting attention as the next-generation Internet offering a world where individuals are connected to each other in a decentralized manner, out of the control of huge platformers; it follows Web 1.0, which focuses on email and websites, and Web 2.0, which is characterized by smartphones and SNS.

<sup>71</sup> A three-dimensional virtual space and its services that differ from the real world, being built on computers and computer networks

<sup>72</sup> Includes the construction of stable and efficient payment systems such as the development of stablecoin systems

<sup>73</sup> Includes the establishment and popularization of "second hometowns" (areas to which people travel to and from on numerous occasions)

locales throughout Japan, and we will provide human resources matching support<sup>74</sup> to local companies via the “Digital Human Resources U-Turn Strategy Package.” We will also promote the startup of community-based companies responsible for local economic circulation through industry-academia-government collaboration.

We will make maximum use of the revised Okinawa Promotion Special Measures Law<sup>75</sup>, etc., to comprehensively and actively stimulate tourism and other industries, promote northern Okinawa and remote island areas, combat child poverty, develop human resources and make use of former base sites as part of a national strategy to enable Okinawa, which marks the 50<sup>th</sup> anniversary of its reversion this year, to achieve a strong economy and become a driving force for Japan's economic growth.

We will also promote the concept of a zero-carbon Hokkaido, develop Production Space for food and tourism, and promote the Region neighboring the Northern Territories to encourage the development of Hokkaido. The government will use the Upopoy National Ainu Museum and Park as the base for bringing about a society that respects the pride of the Ainu people. We will work on measures to help disadvantaged areas, including depopulated areas, remote islands, peninsulas, Amami, Ogasawara, and areas with heavy snowfall.

(Improving the vitality of medium-sized companies and SMEs)

We will promote improvements to the productivity of small and medium-sized enterprises that support local economies and communities and improve their vitality to boost the level of local economies. While support efforts to address infectious diseases as well as changes in the business environment such as those brought about by DX and GX, we will provide seamless and continuous support for business restructuring and productivity improvements by small and medium-sized enterprises and for smooth business succession and M&A and put in place systems to offer follow-up support. To increase the added value of the entire supply chain and promote its appropriate distribution by utilizing these measures, we will work to expand “Partnership Building Declaration” and firmly ensuring fair transactions<sup>76</sup>. At the same time, we will promote wider use of standardized electronic invoices in anticipation of the implementation of the new invoice system in October 2023 and support cyber security measures for small and medium-sized enterprises.

In addition, we will further promote loans not dependent on management guarantees at public and private financial institutions and credit guarantee associations to encourage the establishment of businesses. To promote development of businesses that drive local economies, we will strengthen the export capabilities of small and medium-sized enterprises

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<sup>74</sup> Reinforcing efforts carried out through close collaboration between professional human resources strategy bases and regional financial institutions as well as the Regional Economy Vitalization Corporation of Japan

<sup>75</sup> The Act for Partial Revision of the Act on Special Measures for the Promotion and Development of Okinawa (Act No. 7 of 2022)

<sup>76</sup> We will robustly promote price negotiations, price pass-throughs, and efforts to abolish the use of promissory notes in 2026

through the utilization of EC, etc., and step up our support for the trial production and development of products, taking into account changes in the business environment such as domestic and overseas price trends, and we will promote locally-directed efforts to achieve DX and develop human resources at local companies.

(Dealing with companies and households with increasing debt)

We have been working to raise funds and otherwise support companies affected by the COVID-19 pandemic, and we are now taking every possible measure to respond to increasing corporate debt and surging prices of crude oil and other goods. Specifically, we will take comprehensive steps to support repayment deferment and funding, assist in improving management and converting/rebuilding businesses, strengthen companies' capital base, and consolidate debt, including reduction and release of debt, to improve profitability, revitalize businesses and give key local companies, SMEs, and small businesses a second chance as their circumstances dictate.

At the same time, we will establish new business restructuring legislation so that debt will not be a hindrance in order to facilitate post-pandemic business restructuring.

To assist people in need whose debts are increasing, we will exempt households not subject to residence tax from repayment of emergency petty cash funds for which repayment is scheduled to begin in January 2023 and provide in-depth consultation support to borrowers having a difficult time making repayments, setting up programs for those purposes.

(Restoring Japan as a tourism-oriented country)

We will aim to revive tourism that supports local economies and employment as one pillar of Japan's growth strategy and to promote regional revitalization.

To stimulate domestic travel demand, we will continue to carefully consider COVID-19 infection rates, etc., to ensure the safety of travelers, carry out measures designed to stimulate domestic demand<sup>77</sup>, and collaborate with tourism and transportation companies to promote weekday travel. While cultivating new travel markets, we will enhance programs to enable systematic and continuous funding and other support measures to revitalize tourist destinations and the tourism industry and create greater added value by renovating accommodation facilities and employing digital technologies, and we will strongly promote legislation with this in mind and promote efforts aimed at sustainable tourism.

While strengthening the business infrastructure of the aviation and airport-related companies that support international travel, we will strive for a strategic recovery of inbound tourism. In order to increase consumption and promote local efforts to attract tourists, and to advance tourism diplomacy,<sup>78</sup> we will implement tailored promotion efforts, such as

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<sup>77</sup> This system is enforceable until the end of FY2022

<sup>78</sup> Increasing Japan's diplomatic presence through tourism

improving the environment of such as CIQ and implementing border measures, promote foreign tourists to sign up for private medical insurance, create sustainable tourism, adventure tourism and other new tourism content, improve the environment for staying in national parks, etc., attract luxury travelers, revive cruises and form world-class cruise bases, and proceeding with IR efforts that include implementing casino regulations. 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.

(Promoting culture, art and sports)

To promote economic and regional revitalization via the sustainable utilization of Japan's proud cultural and artistic resources and other forms of soft power, we will promote "WABI" initiatives<sup>79</sup> such as supporting the activities of cultural and artistic organizations and related parties through governing bodies, ensuring culture/art education as well as opportunities for children to view/experience culture and art, supporting creators' creative activities, strengthening the functions of national cultural facilities and museums and promoting Japan Cultural Expo 2.0, and make greater use of private funds such as donations with incentives as well as of cultural DX<sup>80</sup>, thereby creating a virtuous cycle of preservation and utilization of cultural properties, disseminating the appeal of Japanese cultural arts and content both domestically and internationally, and providing steady support for global and local expansion and strengthening the profit base. Through these measures, we will seek to make cultural arts a growth industry<sup>81</sup> and revitalize the art market. We will formulate our next basic plans for promoting culture and the arts, inclusive of these measures, by the end of this fiscal year and have the government work in concert to implement it. We will also carry out necessary examinations based on the concept of the Japan Media Arts National Center.

We will steadily develop the diverse legacy created by and inherited through the Tokyo Olympic and Paralympic Games. We will strive to realize a vibrant society of strong bonds<sup>82</sup> in which everyone can readily become familiar with sports and realize their value by promoting sports tourism and otherwise accelerating the nationwide move to develop sports/health towns that incorporate distinctly Japanese sports hospitality<sup>83</sup>. By further

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<sup>79</sup> "Bloom! Japanese Culture" Strategy WABI -Worldwide Art Blossom Initiative- "(May 12, 2022; Japan Cultural Expo General Promotion Conference); attracting international art fairs, promoting Takumi (artisan) Project for cultural properties and cultural tourism locations, etc., promoting Japan Heritage, handing down local traditional events, etc. We will continue making available the collections of the Museum of the Imperial Collections, Sannomaru Shozokan to local areas.

<sup>80</sup> Refers to the effective and efficient promotion of cultural and artistic activities utilizing digital technology, including copyright system reform

<sup>81</sup> Includes promotion of culture-related industries such as activities to attract video works and e-sports (a term used when competing via computer games and video games is regarded as sports competition)

<sup>82</sup> Based on the "Third Sport Basic Plan" (approved by the Minister of Education, Culture, Sports, Science and Technology on March 25, 2022)

<sup>83</sup> A concept comprising all the efforts and actions that enable people who "do, see, and support" sports to "come together" and "enjoy more" than ever before

utilizing private funds and sports DX<sup>84</sup>, we will aim to make sports a growth industry and develop sports by fostering leaders and action groups. We will also work toward regional migration of athletic club activities and integrated development of a sustainable regional sports environment.

#### (4) Ensuring economic security

National security is the fundamental condition for achieving the “New Form of Capitalism”. As detailed in Chapter 3, robust economic security, including access to energy and food, will be the bedrock of the “New Form of Capitalism” as it adapts to changes in the international environment. The “New Form of Capitalism” seeks to ensure safety and security not only in foreign and defense matters but also in the sustainable and inclusive livelihoods of the Japanese people.

Countries that emphasize universal values such as freedom, democracy, human rights, and the rule of law need to unite against the rise of authoritarian nations to maintain and strengthen the free and open economic order and pursue free trade while more firmly responding to unfair economic activities.

### **Chapter 3 Responses to changes in the internal and external environments**

#### **1. Responding to changes in the international environment**

##### (1) Strengthening diplomacy and security

As the international community fully enters an era of US-China and interstate competitions, Russia’s aggression against Ukraine has shaken the very foundations of the international order, and unilateral changes to the status quo by force and attempts to do so have been taking place in the Indo-Pacific region, making the security environment even more challenging. Thus, efforts are needed to significantly strengthen both Japan’s diplomacy and security<sup>85</sup>. In this context, the G7, a group of like-minded countries, has engaged more closely in their policy coordination, and cooperation for realizing a “Free and Open Indo-Pacific” has become all the more important. The NATO countries have also concurred again to accelerate efforts to fulfill their commitment to their pledge of spending a minimum of 2%

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<sup>84</sup> Promoting the transformation of sports activities, including expanding the use of data via digital technology and strengthening the accompanying fund circulation system

<sup>85</sup> At the Japan-US summit meeting held on May 23, 2022, the two leaders reaffirmed that the Japan-US alliance would be strengthened, confirmed that their basic positions on Taiwan remain unchanged, and reiterated the importance of peace and stability across the Taiwan Strait as an indispensable element in security and prosperity in the international community. They encouraged the peaceful resolution of cross-Strait issues.



of respective GDP and to strengthen defense capabilities<sup>86</sup>.

As the next chair of the G7, Japan will actively pursue diplomacy aimed at upholding and developing an international order based on universal values such as freedom, democracy, human rights, and the rule of law. Japan will resolutely respond to the aggression against Ukraine with economic sanctions, etc., and boost support for Ukraine and neighboring countries. To achieve a “Free and Open Indo-Pacific”, Japan will deepen cooperation with countries and regions such as Australia, India, ASEAN, Europe, and Pacific Island countries, all the while focusing on the Japan-US Alliance, utilizing the Quad which comprises of Japan, the US, Australia and India, and pursuing closer collaboration with Africa through TICAD 8. Japan will strengthen the United Nations including through Security Council reform, establish the rule of law, increase the number of Japanese staff working in international organizations, resolve disputes based on international law including through international judicial proceedings, promote efforts to tackle global issues, including recovery from the COVID-19 pandemic, and address issues such as human rights, human security, and nuclear and other disarmament and non-proliferation issues.

Japan will seek 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.

In pursuit of these efforts, Japan will seek out the best approaches to international cooperation in this era, and Japan will expand ODA<sup>87</sup> while engaging in an optimized, efficient, and strategic use of international cooperation through international organizations and ODA. Also, Japan will adopt measures to counter disinformation, promote strategic communications, expand the circle of people with a great affinity toward or knowledge of Japan, Improve digitization, information safeguarding and intelligence gathering/analysis capabilities, and bolster our diplomatic power.

As the foundations for these, the Government will improve its personnel systems, financial bases and diplomatic missions abroad, and it will dramatically strengthen the foundation for foreign and consular policy implementation structure, including the one to protect Japanese nationals.

Based on the aforementioned awareness of circumstances, the government will accelerate our examination of new national security strategies, and fundamentally reinforce Japan’s defense capabilities that are the final guarantee of Japan’s national security within the next five years.

The government will bolster our stand-off defense capabilities, unmanned equipment,

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<sup>86</sup> Germany, a NATO country as well as a G7 member, has announced that it will set its defense budget at 2% of GDP and amend the Basic Law for the Federal Republic of Germany (the country’s constitution) to establish a special fund of 100 billion euros through new borrowing, but separately stipulate the repayment modalities by law.

<sup>87</sup> Includes cooperation such as human resource development by JICA

cross-domain capabilities including the domains of space, cyberspace and the electromagnetic spectrum, mobile deployment capabilities, and command-and-control and information-related functions, and will incorporate private-sector technologies and promote R&D on advanced technologies such as AI, unmanned vehicle systems, and quantum technology with using other government frameworks.

At the same time, the government will undertake prioritized efforts to secure needed ammunition, maintain equipment, and deal with the dilapidation of barracks/lodgings to ensure the sustainability and resilience of defense capabilities and to truly effectively utilize existing equipment.

In addition, as to acquiring equipment, the government will place greater emphasis on maintaining and strengthening domestic defense production and technological bases , and will consider more in-depth efforts such as streamlining the necessary systems, including reviews of equipment transfer, in order to strengthen the bases.

The government will strengthen our human resource base by securing sufficient high-quality SDF personnel and improving their treatment, and will promote the realignment of US Forces in Japan and measures pertaining to bases.

These various efforts in aggregate will establish defense capability that will protect Japan for years to come.

Given the need to discuss the new “Mid-Term Defense Program”, formulated based on the “National Security Strategy” and the “National Defense Program Guidelines” to be revised at the end of this year, and reach conclusions on the budget for FY2023, which will be the Program’s first year, we will consider the budget in the course of compiling the budget and take necessary measures.

The government will revise the “Basic Plan on Ocean Policy”<sup>88</sup> and strongly promote efforts to ensure maritime security, in areas including oceanographic observations/surveys and maritime domain awareness (MDA), and based on the upcoming revised National Security Strategy, will reinforce the coast guard system by reinforcing patrol vessels, promoting replacement of aging vessels, strengthening surveillance capabilities through utilizing new technologies such as remotely piloted aircraft system, developing human resources and so on, while simultaneously pursue closer collaboration between the Japan Coast Guard and the Self-Defense Forces and strengthening cooperation with overseas coast guard agencies.

## (2) Strengthening economic security

From the perspective of ensuring the security of Japan and the Japanese people from an economic perspective, the government will comprehensively and effectively pursue

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<sup>88</sup> Approved by the Cabinet on May 15, 2018

economic measures relevant to ensuring security while striking a balance with freedom of economic activities. The government will position economic security as a key issue in formulating its new National Security Strategies and other relevant documents. The government will comprehensively inspect and evaluate the risks faced by essential industries, formulate initiatives to eliminate vulnerabilities, and continue and deepen these efforts.

To consistently enforce the Economic Security Promotion Act<sup>89</sup>, the government will promptly formulate its basic policy and implement measures related to supply chains and public-private technology cooperation as soon as possible ahead of other measures under the law.

For critical commodities such as semiconductors, critical minerals including rare earth elements, batteries, pharmaceuticals, etc., the government will analyze the risk of supply disruptions including risk in the future in keeping with the nature of the commodities, put in place necessary support measures such as financial assistance and subsidies, including through funds and other frameworks, in order to promptly secure stable supplies. The government will pursue efforts to ensure the smooth implementation of the preliminary screening system for essential infrastructure, including establishing contact points at each ministry and agency to handle consultations from business operators. The government will launch a research institution, quickly bolster projects designed to develop key advanced critical technologies, and provide extensive support to put these technologies to practical use, with the aim to allocate about 500 billion yen in a prompt manner. The government will also undertake efforts to smoothly implement its system for non-disclosure of certain patent applications, including putting any necessary system in place.

Regarding investment screening under the Foreign Exchange and Foreign Trade Act<sup>90</sup>, the government will enhance information collection, analysis, monitoring, etc., including at local government offices, and the government will consider what businesses should be designated as business subject to the mandatory prior notification. In light of situations such as Russia's aggression against Ukraine, the government will strengthen cooperation with ally and like-minded countries on responsible control of technologies by democratic nations possessing advanced technologies including consideration of a new security trade control framework, on effective implementation of relevant sanctions, and on addressing to economic coercion. The government will also steadily move ahead with review of the use of real estate, etc., in accordance with the Act on the Review and Regulation of the Use of Real Estate Surrounding Important Facilities and on Remote Territorial Islands<sup>91</sup>.

Based on examinations of specific cases in international joint researches, etc., the

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<sup>89</sup> Law on Promotion of Security by Taking Economic Measures in an Integrated Manner (Law No. 43 of 2022)

<sup>90</sup> Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949)

<sup>91</sup> Act on the Review and Regulation of the Use of Real Estate Surrounding Important Facilities and on Remote Territorial Islands (Act No. 84 of 2021).

government will consider necessary systems to be established and other measures to be put in place for authorizing persons to handle important information. The government will examine approaches to support, including capital enhancement on private companies with advanced/sensitive technologies that will be responsible for development and implementation of technologies indispensable for the next generation. The government will enhance our advanced semiconductor production base and develop human resources in accordance with agreements reached at Japan-US summit meeting, and the government will establish designs and manufacturing production base for next-generation semiconductors in the latter half of the 2020s. In strengthening public-private partnerships and analytical capabilities to ensure cyber security in light of changes in international circumstances, the government will study necessary measures to be taken, including pursuing technological development and improving systems. The government will establish cloud usage policies corresponding to the confidentiality of information handled by the government until the end of this year, support the development of cloud technologies, and reflect the results in government procurement such as cloud-related technologies.

With the National Security Secretariat serving as a control tower, the government will seek to strengthen its organizational structure for promoting economic security together with relevant ministries and agencies, promptly set up an Economic Security Promotion Office (name tentative) in the Cabinet Office, and develop a framework for coordinating efforts among relevant ministries and agencies so as to respond to changes in circumstances with flexibility and agility. To buttress our intelligence capabilities, the government will enhance the necessary capacity for collecting and analyzing. In order to strengthen intelligence capabilities, the Government will develop necessary mechanisms such as collecting and analyzing information.

### (3) Strengthening energy security

In light of Russia's aggression against Ukraine, ensuring energy security has re-emerged as an important issue in other countries as well, and the government will accelerate decarbonization efforts<sup>92</sup> and improve our energy self-sufficiency rate based on the premise of ensuring reliable and inexpensive supplies of energy. To that end, the government will promote thorough energy efficiency improvement, contribute to energy security through renewable energy, nuclear power, etc., and make maximum use of power sources with a high decarbonization effect. In light of tight power supply-demand situation, the government will seek to secure supply capacity, improve power networks and systems, maintain and strengthen supply chains to reliably utilize decarbonized energy sources, restart nuclear

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<sup>92</sup> Includes the efforts listed in Chapter 2. 1. (4).

power plants with the highest priority on safety, promote the effective nuclear regulations that include conducting strict and efficient reviews, and develop a nuclear disaster prevention system that includes securing evacuation routes<sup>93</sup> by building/improving roads.

To reduce our dependence on Russia for fossil fuels and resources and to prevent supply disruptions, the government will diversify our procurement sources beyond Russia, work with major consuming countries to urge producer countries to increase production, and take measures to reduce usage. The government will also strengthen our fuel supply system by improving flexibility in releasing petroleum stockpiles, reinforcing the managerial capabilities of SS<sup>94</sup> operators, and stepping up our involvement in procuring LNG.

The government will bolster systems to ensure stable supplies such as by implementing support measures<sup>95</sup> to secure rare metal interests, secure domestic marine resources such as methane hydrate, sea-floor polymetallic sulphides, and rare earth yttrium rich mud, and work to promote resource circulation for stably securing metal resources.

#### (4) Strengthening food security and promoting sustainable growth of agriculture, forestry and fisheries

Given the heavy dependence of Japan's food, agriculture, forestry and fisheries industries on imports and the emerging risks surrounding global food supply and demand, we will seek to secure stable supplies of production materials, expand production and demand for domestic feed, wheat, rice flour, etc., switch to domestic production of food raw materials and timber, and consider establishing measures to address soaring fertilizer prices. We will examine future risks, start developing the comprehensive measures necessary to secure reliable food supplies in future, and strengthen food security by, for instance, improving our food self-sufficiency rate.

In responding to climate change and working to overcome issues such as shrinking domestic markets and decreasing workforces in the agriculture, forestry and fisheries industries due to population decline, we will promote human resource development and further reforms<sup>96</sup> to achieve sustainable growth in the agriculture, forestry and fisheries industries.

To realize Measures for achievement of Decarbonization and Resilience with Innovation (MeaDRI), we will pursue the development of new technologies, promote organic farming, and visualize environmental impact reductions in accordance with our 2030 targets and the

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<sup>93</sup> Includes facilitating evacuation through emergency evacuation facilitation projects and improving the quality of advanced medical care for radiation exposure

<sup>94</sup> Abbreviation for Service Station

<sup>95</sup> Investment and debt guarantee by Japan Oil, Gas and Metals National Corporation

<sup>96</sup> Reforms based on the "Plan for the Creation of Regional Vitality in Agriculture, Forestry, and Fisheries" (revised by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries on December 24, 2021).

Green Food System Law<sup>97</sup>.

To maintain and expand domestic production as well, in accordance with our revised export strategy<sup>98</sup>, we will strengthen organization and activity of Japan Food Export Platforms, Authorized Export Promotion Organization that engage in export as Japan as a whole, and GFP<sup>99</sup> that supports export production areas and businesses.

We will secure and strengthen production bases, including those in hilly and mountainous areas, accelerate the implementation of smart agriculture, forestry and fisheries to revitalize farming, mountain and fishing villages, cultivate support service businesses, formulate local plans under Law to Partially Amend the Act on Promotion of Improvement of Agricultural Management Foundation accumulate and concentrate agricultural land utilizing cropland intermediary management institutions, securing relevant personnel, and establish a framework for resolving issues in farming, mountain and fishing villages using digital technology. Through land improvement projects, we will divide agricultural land into large plots and make it available for general use and dry fields and implement measures to combat birds and wild animals as well as domestic animal infectious diseases. We will also pursue sustainable efforts in the food industry, including adding value by using local ingredients.

We will develop a stable and sustainable supply system for timber by promoting reforestation and improvements to forest roads and other basis of production, and expand the use of timber such as CLT<sup>100</sup>.

We will properly manage fisheries resources, make the aquaculture industry a growth industry, stabilize the businesses of fishermen, improve fishing vessels and other production infrastructure, and promote UMIGYO (Projects that utilize the value and attractiveness of local resources in the sea and fishing villages).

#### (5) Promotion of international economic partnerships (Strengthening international partnerships)

With an emphasis on multilateralism, Japan will work to expand a free and fair economic zone as well as to maintain and strengthen the rules-based multilateral trading system<sup>101</sup> while respecting human rights and taking into account the environmental concerns. At the same time, Japan will contribute to achieving SDGs internationally through overcoming the

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<sup>97</sup> Law Concerning Promotion of Low Environmental Impact Business Activities to Establish a Food System in Harmony with the Environment (Law No. 37 of 2022).

<sup>98</sup> “The Strategy to Realize Export Expansion of Agricultural, Forestry and Fishery and Food Products” (approved by the Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries on December 15, 2020); a strategy that presents measures to be taken to achieve the export value targets of two trillion yen by 2025 and five trillion yen by 2030

<sup>99</sup> “Agriculture, Forestry and Fisheries Products/Food Export Project” (efforts to provide producers interested in exporting with a variety of support – export visit diagnosis, matching with export trading companies, and provision of information – through registration on the community site)

<sup>100</sup> Abbreviation for Cross Laminated Timber; a solid panel made of orthogonal layers of sawn lumber that are laminated by gluing

<sup>101</sup> Includes rule-making at UNCITRAL, etc.

issues inherent in capitalism, creating a sustainable economy and society, and utilizing the solution of social issues as a new source of growth.

To promote the embodiment of DFFT<sup>102</sup>, Japan will promote international rule-making and aim for certain outcomes to be achieved at the G7 meeting to be held in Japan in 2023. In addition, Japan will actively engage in WTO reform. Japan will lead discussions for the steady implementation of the CPTPP and its expansion while maintaining its high standard, and work to ensure the smooth operation and implementation of the RCEP Agreement. Japan welcomes the IPEF<sup>103</sup> as a sign of the United States' strong commitment to the Indo-Pacific region, and will work with the United States and partner countries, including ASEAN countries and India, to build regional prosperity and economic order. In addition to this Japan will continue to urge the United States to return to the TPP. Japan will deepen economic cooperation with the United States through the Japan-US Economic Policy Consultative Committee (Economic "2+2"), etc., and Japan will also further strengthen economic ties with the EU and the United Kingdom. Japan will also implement policies in accordance with the "Comprehensive TPP-Related Policy Framework"<sup>104</sup>. Japan will promote the overseas business expansion of Japanese companies and thus strengthen the growth potential in a post-pandemic world by utilizing investment-related agreements and ODA<sup>105</sup> and establishing Global Business Investment Support Office (name tentative). Japan will also formulate guidelines for respecting human rights in the supply chains of businesses while engaging in international cooperation aimed at enhancing predictability.

Japan will exercise leadership in the areas of climate change and energy in such ways as aiming to realize the concept of Asia Zero Emissions Community vision while strengthening and embodying AETI<sup>106</sup>, etc., through technological development, infrastructure improvement, technical standards, and carbon credit utilization. To combat plastic pollution, Japan will take advantage of its technological capabilities and play a leading role for negotiations for the international legally binding instrument as well as "Osaka Blue Ocean Vision." Based on Global Health Strategy, Japan, while strengthening public and private funding, will contribute to resolving global health issues including through strengthening prevention, preparedness and response to infectious diseases, and aim to achieve universal health coverage (UHC). Japan will also discuss collaboration with the WHO. Japan will also comprehensively examine concrete methods to secure therapeutic drugs for drug-resistant bacteria such as market incentives in measures designed to counter drug resistance, draw conclusions based on these examinations, and then play a leading role in international

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<sup>102</sup> Abbreviation for Data Free Flow with Trust

<sup>103</sup> Abbreviation for Indo-Pacific Economic Framework

<sup>104</sup> Decision on December 8, 2020 by Government's TPP Headquarters

<sup>105</sup> Includes legal technical assistance

<sup>106</sup> Abbreviation for Asia Energy Transition Initiative

discussions. We will promote initiatives pertaining to digitalization, supply chain resilience, quality infrastructure, water cycle management, environmental protection and women empowerment. We will steadily implement measures based on the “Infrastructure System Overseas Promotion Strategy 2025”<sup>107</sup>, including support for the formulation of smart city projects and enhancement of public finance functions as well as above-mentioned efforts. The government will also move forward with preparations for large-scale international events<sup>108</sup>, including Expo 2025 Osaka, Kansai, Japan and International Horticultural Expo 2027, Yokohama, Japan.

(Promoting foreign direct investment in Japan)

To bring in vigorous demand from overseas and enhance Japan’s economic vitality and long-term growth potential, we will strategically promote foreign direct investment in Japan that would help spur innovation and strengthen the resilience of supply chains. We will work to enhance the attractiveness of Japan as an investment destination to achieve our target of 80 trillion yen in foreign direct investment stocks in Japan by 2030. In conjunction, we will reinforce information dissemination of Japan’s business environment and technological strength both domestically and internationally, taking advantage of the opportunity of gradual relaxation of border measures.

In this regard, we will strengthen human resource developments that foreign companies have been asking for, improve the living environment of foreign nationals in terms of medical care, education, etc., streamline administrative procedures through one-stop portals and digitization, promote English translation of laws and administrative documents, and work for better understanding of the system. While paying attention to the perspective of economic security, we will provide proactive support for overseas companies in priority areas, offer assistance to attract and work together with foreign capitals to strengthen the management capabilities of Japanese companies, and provide support to connect foreign companies with local companies and universities, thereby expecting to contribute to pursue DX and GX, and foster start-ups, etc. Furthermore, we will strengthen functions of international financial centers to attract more foreign financial businesses to Japan. Also, we will work to promote international arbitration in Japan.

(Acceptance and coexistence of foreign nationals)

In addition to promoting the acceptance and active participation of highly-skilled foreign professionals, 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

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<sup>107</sup> Approved by the Infrastructure Strategy Economic Cooperation Meeting on December 10, 2020

<sup>108</sup> World Masters Games 2021 Kansai, 19th FINA World Championships 2022 Fukuoka, etc.



appropriate consideration. We will ensure that the Technical Intern Training Program is being run properly, with due consideration given to human rights. We will discuss reviewing the Technical Intern Training Program and the Specified Skilled Worker System. Furthermore, we will work to ensure the protection of persons genuinely seeking asylum from a humanitarian perspective, and we will amend legislation to resolve issues of deportation evasion and long-term detention. In addition, we will endeavor to create local communities where foreign nationals can live comfortably, steadily implement measures including considering integrating residence cards and Individual Number Cards (“My Number Card”) as well as promoting Japanese language education and the enrollment of foreign children in school<sup>109</sup>, in accordance with the “Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals”<sup>110</sup> and strive to realize a society of harmonious coexistence with foreign nationals.

## **2. Promotion of disaster risk reduction and national resilience, rebuilding from the Great East Japan Earthquake, etc.**

(Disaster risk reduction and national resilience)

To overcome national crises stemming from imminent large-scale earthquakes<sup>111</sup>, successive weather-related calamities, volcanic hazards, and aging infrastructure, protect people’s lives, property, and livelihoods, and maintain key social functions, we will secure necessary and sufficient budgets, appropriately combine self-help, mutual assistance, and public assistance, and strongly promote efforts that integrate “hardware” and “software” in line with the “Fundamental Plan for National Resilience”<sup>112</sup>. To achieve our medium- and long-term goals, we will implement the “Five-Year Acceleration Measures for Disaster Risk Reduction, and National Resilience”<sup>113</sup> that stipulates the scale of additional projects needed to accelerate and deepen efforts, and we will continue working to make Japan a country that will not yield to disasters.

As we enter the tenth year since the Basic Law for National Resilience<sup>114</sup> went into force, we will make use of our achievements and experiences thus far so that, even after the “Five-Year Acceleration Measures for Disaster Risk Reduction and National Resilience” has been

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<sup>109</sup> Includes prompt submission of a new bill on a new qualification system for Japanese language teachers and a certification system to maintain and improve the quality of Japanese language education institutions, development of Japanese language education systems in the regional areas, and establishment of Japanese language instruction systems at schools

<sup>110</sup> To be revised by the Ministerial Conference on Acceptance and Coexistence of Foreign Nationals. At the same time, a roadmap will be formulated showing measures that should be taken over the next five years to achieve a society of harmonious coexistence with foreign nationals.

<sup>111</sup> A Nankai Trough earthquake, an earthquake directly under the Tokyo area, a huge earthquake along the Japan Trench or Chishima Trench, etc. (including tsunamis caused by these)

<sup>112</sup> Approved by the Cabinet on December 14, 2018

<sup>113</sup> Approved by the Cabinet on December 11, 2020

<sup>114</sup> Basic Law for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry (Law No. 95 of 2013)

completed, the importance of continually and consistently promoting national resilience efforts with a clear medium- to long-term outlook will be taken into account and reflected in the next “Fundamental Plan for National Resilience”.

In light of recent disasters, we will pursue measures to ensure the safety of embankments, build transport networks resistant to disasters, take more robust steps to keep roads open during heavy snowfalls, improve the safety of buildings, eliminate electric poles, etc., and promote River Basin Disaster Resilience and Sustainability by All<sup>115</sup> as measures against floods, sediment disasters, storm surges, and high waves that are becoming more intensive and frequent. We will accelerate measures to deal with aging infrastructure<sup>116</sup> and smart industrial safety, expand and enhance disaster prevention systems and functions such as TEC-FORCE<sup>117</sup> and meteorological offices as well as fire prevention and disaster prevention capabilities including fire corps volunteers, by promoting DX, increase the sophistication of disaster prevention and mitigation measures utilizing next-generation meteorological satellites and digital technologies<sup>118</sup>, promote the use of ships for medical care provision<sup>119</sup>, strengthen medical care systems through the use of medical containers<sup>120</sup>, increase the number of weather disaster prevention advisors and regional disaster prevention managers to enhance and strengthen timeline disaster prevention efforts by local governments, improve the disaster prevention functions and environmental conditions of evacuation sites such as schools, including measures to prevent heat illness, secure and train human resources who will support disaster victims<sup>121</sup>, upgrade regional disaster prevention capabilities to include evacuation of people requiring special attention and disaster case management<sup>122</sup>, and pursue initiatives that help prevent disasters. We will also work to create new global business opportunities in connection with responding to disaster risks associated with climate change.

(Rebuilding from the Great East Japan Earthquake, etc.)

Without the reconstruction of Tohoku, there can be no revitalization of Japan. With the

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<sup>115</sup> Preliminary disaster prevention measures such as development of levees, retarding basins, dams, SABO dams, sewerage systems, and agricultural reservoirs, forest management and conservation, pre-discharge of dams, sedimentation measures, and inland water measures, etc., guidance on moving to safe land with provision of flood risk information and usage restrictions on land at high risk, improvement of prediction accuracy of stationary linear mesoscale convective systems and floods, upgrading of dam operation using the latest weather forecasting technology, utilization of green infrastructure, etc.

<sup>116</sup> Includes promotion of strategic conservation management of agricultural irrigation facilities such as headworks

<sup>117</sup> Abbreviation for Technical Emergency Control Force

<sup>118</sup> Installing disaster prevention digital platforms for use by disaster response organizations, disaster-prevention IoT that collects data on on-site conditions using drone sensors, etc. in the event of a disaster, communication infrastructure, etc.

<sup>119</sup> Efforts to provide medical care by utilizing civilian vessels and SDF vessels in the event of a disaster

<sup>120</sup> Ascertaining the introduction status of medical containers, considering their utilization, disseminating information, etc.

<sup>121</sup> Promoting cooperation and collaboration between private organizations and governments as deemed appropriate to local conditions, training local volunteers who will provide livelihood support to evacuees, conducting disaster prevention education, etc.

<sup>122</sup> Efforts to provide tailored support to disaster victims in cooperation with relevant parties after gaining an understanding of the circumstances of each victim

Reconstruction Agency serving as a control tower, we will do our utmost to reconstruct and revive the affected areas in accordance with the “Basic Policy on Reconstruction from the Great East Japan Earthquake During and After the Second Reconstruction and Revitalization Period”<sup>123</sup>. We will tackle the remaining issues, such as mental care for the victims, in areas affected by the earthquake and tsunami. Medium- to long-term measures are required for rebuilding and revitalizing the areas affected by the nuclear disaster, and we will continue to take the lead in this regard. We will proceed safely and steadily with decommissioning TEPCO's Fukushima Daiichi Nuclear Power Station and restoring the environment. Regarding ALPS treated water, we will carry out all possible measures based on the Basic Policy<sup>124</sup> and Action Plan<sup>125</sup>, continuing to listen carefully to the opinions of local residents, fostering better understanding of safety based on scientific knowledge through monitoring, and providing support to the enabling industries including fishery to continue and expand their businesses. We will encourage residents to return, even as we encourage migration and settlement in the area. 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, we will continue with decontamination and infrastructure development in working toward lifting the evacuation orders for Specified Reconstruction and Revitalization Base Areas, and for areas outside of the Specified Reconstruction and Revitalization Base Areas, based on the Basic Policy<sup>126</sup>, in the 2020s, we will decontaminate the areas necessary for the return of residents and work to lift the evacuation orders, after carefully confirming each resident's intention to return, so that residents with the intention to return can do so.. We will try to embody the Fukushima Innovation Coast Framework by supporting the establishment of businesses, preparing fields of endeavor for these businesses, and developing local human resources in collaboration with technical colleges. To further extend this Framework, we will advance efforts to realize the Fukushima Plan for a New Energy Society, ensure the long-term sound operation of the Fukushima International Research and Education Institute as the “core base for creative reconstruction”, and accelerate R&D, industrialization, and human resource development efforts. At the same time, we will promote urban development that utilizes digital technology and soft power such as video and art. We will do our utmost to help afflicted areas recover and rebuild from disasters.

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<sup>123</sup> Approved by the Cabinet on March 9, 2021

<sup>124</sup> “Basic Policy on handling of ALPS treated water” (approved by the Inter-Ministerial Council for Contaminated Water, Treated Water and Decommissioning Issues on April 13, 2021)

<sup>125</sup> “Action Plan for the Continuous Implementation of the Basic Policy on handling of ALPS treated water” (approved by the Inter-Ministerial Council on the Steady Implementation of the Basic Policy on handling of ALPS treated water on December 28, 2021)

<sup>126</sup> “Policy on Lifting Evacuation Orders for Returning to and Living in areas Outside Specified Reconstruction and Revitalization Base Areas” (approved by the Nuclear Emergency Response Headquarters and the Reconstruction Promotion Council on August 31, 2021)

### **3. Ensuring safety and security of the people**

To ensure good public security, the relevant ministries and agencies will cooperate steadily in preventing terrorism and implementing cyber security measures, including strengthening intelligence functions. We will also pursue measures to protect the public in the event of an emergency. We will promote Anti-Money Laundering, Countering the Financing of Terrorism & Countering Proliferation Financing (AML/CFT/CPF) measures such as the enhancement of inspections and supervision of financial institutions, and we will promptly submit a bill to the Diet to meet the international standards.

We will pursue efforts to prevent accidents involving elderly and other drivers, support the victims of car accidents, and take measures to combat special fraud.

We will formulate an effective follow-up “Recidivism Prevention Plan”<sup>127</sup> within this fiscal year and pursue measures such as strengthening collaboration with local governments. We will also enhance and strengthen preventive justice support functions for issues in Japan and abroad and comprehensive legal support, promote digitalization in the judicial branch, take tougher measures to combat human rights violations on the Internet, and strengthen measures based on the “Fourth Basic Plan for Crime Victims, etc.”<sup>128</sup> We will promote Justice Affairs Diplomacy as part of our coordinated diplomatic approach, including strengthening cooperation between Japan and ASEAN in the field of law and justice, and develop international legal human resources.

We will implement consumer policies<sup>129</sup> such as establishing a system to deal with digital advertising<sup>130</sup> that distorts consumers' judgments, promoting further utilization of the consumer organization collective litigation system<sup>131</sup>, digitalizing consumer affairs consultations, and reducing food loss and waste, including support for food banks.

## **Chapter 4 Medium- to long-term economic and financial management**

### **1. Sustainable economic and financial management from a medium- to long-term perspective**

We will carry out sustainable economic and financial management on the basis of the recognition of current circumstances described in Chapter 1 and the efforts and policy directions needed to cope with these circumstances.

First of all, import prices are rising sharply and it is important to achieve sustainable and

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<sup>127</sup> Includes enhancing measures for those released upon completion of their term of imprisonment in cooperation with private collaborators such as *HOGOSHI* (volunteer probation officers) and offenders rehabilitation facilities, and improving treatment measures for inmates at correctional institutions.

<sup>128</sup> Approved by the Cabinet on March 30, 2021

<sup>129</sup> Includes consumer-oriented management, consumer education for young people, and the use of digital food labeling

<sup>130</sup> Includes endorsement so called “stealth marketing”, etc.

<sup>131</sup> A system based on the amendment of the Act on Special Measures for Consumer Court Proceedings

strong economic growth driven by steadily rising prices, so we will expand the “virtuous cycle of growth and distribution” within the framework for economic and financial management discussed in Chapter 1. In particular, we will make public-private collaborations aimed at resolving social issues the source of growth for upgrading capitalism. We will restore robust growth through well-planned, focused investments and regulatory and institutional reforms for this purpose, and we will extend the fruits of growth widely through a Distribution Strategy.

In doing so, we will correct the harmful effects of the single-year budget principle. We will utilize our philosophy with an eye on the future effects of the tax system. We will also focus on public-private investment that contributes to a virtuous cycle of growth and distribution, create incentives and mechanisms to promote structural changes, make individual budgets effective and efficient and be more rigorous in verifying results.

The government will resolutely pursue fiscal consolidation and work on achieving the current target. However, the economy is the foundation of public finance, and macroeconomic policy options in line with the circumstances should not be distorted by giving a greater priority to meeting the current target year. Adopting a policy as needed to deal with the circumstances is not traded off against working to achieve the fiscal consolidation target. The government will faithfully rebuild the economy. The government will also work to put public finances on a sound footing. But there is also a need to keep a close eye on economic situations at home and abroad, etc., at all times, such as the impact of the infection and the most recent price hike. The government will therefore undertake the necessary verification depending on the situations.

(Promoting well-planned, focused investment through public-private collaborations)

Expanding “investment” in a way that is effective in increasing supply capacity as well as creating demand is essential for sustainable growth. In order to achieve this in the face of increasing uncertainty worldwide and concerns about stagnation in private investment, we need to stimulate private investment, which has been sluggish for a long time, and put the economy on a stable growth path as soon as possible by increasing predictability for the private sector and fully committing to effective and efficient spending (wise spending) that will prime the pump for private-sector investment.

In promoting investment to that end, we will assign priority to investment in people; investment in science, technology and innovation; investment in start-ups; investment in GX; and investment in DX. While sharing a roadmap<sup>132</sup> that includes well-planned investment and institutional reforms necessary for problem solving with the public and private sectors, we will on that basis secure the necessary financial resources, utilize funds as suited to the nature

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<sup>132</sup> A package of measures worth 400 billion yen over three years to boost “investment in people”, “Sixth Science, Technology and Innovation Basic Plan”, “Startup Development Five-Year Plan”, “Clean Energy Strategy”, “Digital Garden City Nation Infrastructure Development Plan”, “Priority Policy Program for the Realization of a Digital Society”, etc.

of projects, and tax systems, and undertake bold focused investments through public-private collaboration in a planned way over the medium-to long-term.

(Correcting the harmful effects of single-year budgeting)

We will correct the harmful effects of single-year budgeting and systematically tackle national issues so as to establish a long-term direction and increase predictability. We will utilize funds in keeping with the nature of projects and flexibly and appropriately respond to the harmful effects of the single-year budgeting principle, including fiscal year-end budget exhaustion, to enable budgets to be implemented throughout the fiscal year.

(Striving for sustainable debt management)

Japan's public debt is growing with every annual budget deficit, and we need to put in place an environment for steady refinancing of government bonds. It is also important that we increase the nominal growth rate from the perspective of controlling the public debt-to-GDP ratio.

(Engaging in effective and efficient spending and thoroughly strengthening EBPM)

Henceforth it will be more important than ever to ensure that expenditures are more effective in achieving results. To carry out effective and efficient spending (wise spending), we will noticeably strength the integrated economic and fiscal reform, including the visualization which encourage the changes in awareness and behavior among all strata of the population, the national rollout of cutting-edge example of best practice, the incentive reform, industrialization of the public sector, and maximum utilization of private sector vitality via such approaches as PPP/PFI and mutual assistance. We will also visualize the usage and results of the successive supplementary budgets passed during the COVID-19 pandemic.

To put the EBPM method into practice, we will revamp the administrative project review sheets one by one and utilize them as a platform<sup>133</sup> in the budgeting process. We will rationalize government evaluation-related tasks to secure resources to be allocated to policy making and implementation, and we will prioritize the budget allocation to the measures which are supported by evidence and to the data collection to build evidence, for strengthening EBPM effort<sup>134</sup>.

To correct the harmful effects of the single-year budget principle, we will utilize funds in accordance with the nature of projects and pursue PDCA efforts based on the EBPM method for funds that address important policy issues. We will also move ahead with efforts based

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<sup>133</sup> Building a database of review sheets for searching descriptions and creating supplementary budget review sheets ahead of schedule

<sup>134</sup> The EBPM center set up by the Research Institute of Economy, Trade and Industry serves as one example

on this idea in accordance with a roadmap incorporating systematic investments and institutional reforms necessary for resolving problems.

We will work to construct an ecosystem of statistical data that includes the visualization for the government and the general public, improve the capture of intangible assets in GDP and other statistics, ascertain and measure soft power in terms of the value of cultural resource content, and introduce well-being indicators into the KPIs for each policy domain. We will also carry out intensive statistical reforms to prevent repeated improper handling of official statistics.

(Reforming the tax system)

We will strive to achieve both economic growth and fiscal consolidation, and we will conduct comprehensive studies to manifest the best tax system for coping with a declining birthrate, an aging population, and globalization and other socioeconomic structural changes.

In keeping with the Basic Policy on Economic and Fiscal Management and Reform 2021<sup>135</sup> etc., we will aim to improve redistribution functions based on the principle of ability to pay and prevent disparities from becoming fixed, we will build a tax system that is fair and neutral to diverse work styles and suitable for a digital society, and we will revamp the overall tax system to secure a stable tax revenue base that does not hinder economic growth. From the perspectives of preparing the environment for settlement of taxes and achieving proper and fair taxation, we will step up efforts both in terms of the system and its enforcement and comply with new international taxation rules.

## **2. Building a sustainable social security system**

(Building social security for all generations)

We need to build a social security system for all generations that provides peace of mind for young, middle-aged, and elderly generations while ensuring a balance between benefits and burdens in order to realize a virtuous cycle of growth and distribution. To that end, we will establish inclusive and impartial systems such as social insurance for mutual assistance so that there will be no divisions, disparities, or employment distortions due to the systems. This will support the middle class in Japan and help broaden it. We will review the existing social security structure in which benefits are centered on the elderly and burdens are centered on working generations, and we will ensure the needed security in a well-balanced fashion corresponding to various life stages while adhering to the fundamental principle that people support each other in line with their ability to do so. We will seek to balance benefits and burdens and constrain increases to the burdens placed on working generations, and we will

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<sup>135</sup> “Basic Policy on Economic and Fiscal Management and Reform 2021” (approved by the Cabinet on June 18, 2021)

comprehensively examine the best approaches to the premium burden<sup>136</sup>, including raising the limit on the premiums imposed to pay for the medical care system for the latter-stage elderly. To build a social security system for all generations, we will share basic ideas widely across all generations and promote national discussions that do not degenerate into conflict between generations.

To build a society where men and women can work as they wish, we will encourage men and non-regular employees to take childcare leave and we will support childcare<sup>137</sup>. We will engage in national discussions on further measures necessary to create an environment where child-rearing younger generations can balance work and childcare without worrying about the impact of childbirth and child-rearing on their income or their livelihood. To realize universal worker insurance, we will steadily expand the coverage of employee insurance, consider abolishing company size requirements and reviewing industries where such insurance coverage is not available, and consider the status of freelance and gig workers as employees for social insurance coverage. We will establish the infrastructure for long-term care services to reduce the burden of long-term care at home. We will visualize the cost of public prices, and then we will work to make further improvements to the treatment of workers with the aim of raising wages to an appropriate level for each job type and securing the necessary human resources. We will strive to create a community-based society by providing counseling support for the needy and elderly living alone and carrying out integrated examinations and reforms of medical care, long-term care, and housing. In strengthening the medical/long-term care provision system and other elements of the social security system infrastructure, we will pursue reforms from a national perspective, such as medical/long-term care provision system that places greater emphasis on functional differentiation and collaboration, in order to build a system capable of efficiently providing high-quality medical care in light of future medical needs, demographic changes, and issues made apparent by the COVID-19 pandemic, develop a system that performs the functions of primary-care physicians, make effective use of regional medical coordination promotion corporations and promote regional medical care initiatives, including the legal measures necessary to clarify the responsibilities of prefectural governments. At the same time, we will pursue efforts to smoothly implement work style reforms for doctors. To otherwise solidify the foundations, we will proceed as before in line with the Basic Policy on Economic and Fiscal Management and Reform 2021 in conjunction with reforms to related medical insurance systems<sup>138</sup> such as reviewing the medical cost optimization plan and enhancing governance by prefectures.

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<sup>136</sup> Includes matters related to medical care, long-term care, etc., listed in previous versions of the Basic Policy on Economic and Fiscal Management and Reform and the time schedule from the New Plan to Advance Economic and Fiscal Revitalization.

<sup>137</sup> Includes the details listed in Chapter 2.2. (2) “(Low birthrate policies/child welfare policies)”

<sup>138</sup> As medium- to long-term issues, we will give deeper consideration to the ideal medical care system for the latter stage elderly, which is currently administered by the wide area unions as well as the ideal medical assistance for welfare recipients, including participation in the National Health Insurance scheme and the medical care system for the latterstage elderly



In pursuing these efforts with the working-age population in rapid decline, we will identify the short-term issues anticipated in 2023 and 2024 as well as medium- to long-term issues, including issues made apparent by the COVID-19 pandemic, with a view to around 2040, when the elderly population will peak out and begin to decline, in committee on a social security system oriented to all generations, and the government as a whole will convert medium- to long-term reform items into concrete processes to be carried out.

(Strengthening and promoting integrated economic and fiscal reforms in social security)

We will optimize medical and long-term care costs, pursue quality visualization and innovation based on the certification system and evaluation guidelines for relevant services aimed at revitalizing digital health to improve the efficiency and quality of services through DX<sup>139</sup> and other technological innovation in the medical and long-term care fields, and at the same time we will steadily implement reforms such as pursuing PHR in accordance with the Data-based Health Management Initiatives Roadmap. Medical institutions and pharmacies providing services covered by health insurance will be required in principle to introduce Online Confirmation System for Health Insurance Qualification from April 2023, and we will review relevant support and other measures so that introduction will proceed and patients will use Individual Number Cards (“My Number Cards”) as proof of insurance<sup>140</sup>. By the end of FY2024, we aim to introduce a system for optional issuance of health insurance cards by insurers, and, considering the progress of the installation of Online Confirmation System for Health Insurance Qualification, etc., we will seek to abolish health insurance cards in principle<sup>141</sup>. The government and relevant industries<sup>142</sup> will work together to establish a national medical information platform<sup>143</sup>, standardize electronic medical record information<sup>144</sup>, and apply DX to the revision of medical service fees<sup>145</sup>, and take legislative measures on the use of medical information. Accordingly, we will establish a “Medical DX Promotion Headquarters” (name tentative) comprising relevant Cabinet ministers and headed by the prime minister. From the perspective of making financial status transparent, we will establish a nationwide electronic disclosure system indicating the financial status of medical

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<sup>139</sup> Digital transformation in medical/ long-term care such as data health, online medical care, and utilization of AI/robots/ICT

<sup>140</sup> The Central Social Insurance Medical Council will consider how to handle the additional medical fees

<sup>141</sup> An insurance card will be issued if the policyholder applies for one

<sup>142</sup> Refers to the medical profession, the medical community, and industrial circles

<sup>143</sup> A nationwide platform that expands the network for online qualification checks and enables a broad range of information on medical care (including long-term care) – medical receipts, information on specific medical examinations, information on vaccinations, electronic prescription information, information on municipality examinations, electronic medical records, etc. – to be shared and exchanged

<sup>144</sup> Also includes examining standard electronic medical records and effectively utilizing electronic medical record data to optimize treatments, develop new AI-based or other medical technologies, and aid drug discovery.

<sup>145</sup> Refers to greatly improving the efficiency of tasks pertaining to medical fees and their revision in keeping with a digital age and making effective use of system engineers to reduce costs; these approaches are required if operating costs for the entire medical insurance system are to be reduced

corporations and long-term care service providers<sup>146</sup> and take measures to visualize costs when seeking to improve treatment. To improve the productivity of medical and long-term care services, we will encourage institutions to engage in task shifting, up-scaling and coproduction. In addition, we will encourage the utilization of online medical care and promote the organization and implementation of AI hospitals<sup>147</sup> to advance medical DX.

From the perspectives of economic security and the Pharmaceutical Industry Vision 2021, we will ensure the quality and stable supply of pharmaceuticals, strengthen drug discovery capabilities<sup>148</sup>, and employ various means to improve science and technology capabilities and realize innovation. To promote drug discovery related to cancer and intractable diseases, we will build information infrastructure that links and carries clinical information and such information as the results of whole genome analyses<sup>149</sup>, and immediately lay down the groundwork for its utilization. We will foster human resources specializing in cancer, review the “Basic Plan to Promote Cancer Control Programs”<sup>150</sup> and pursue cancer control, including efforts to make new treatment methods available to patients. We will review cannabis-related programs and establish the environment needed for the use of cannabis-derived drugs. We will also work on measures to combat heat illness, promote self-medication by considering expanding access to OTC drugs and OTC In-vitro diagnostic drugs, and improve health literacy. We will encourage efforts, including rehabilitation, to prevent occurrence and aggravation of diseases and to promote people’s health by disseminating accurate knowledge and heightening awareness regarding illnesses, continuing to urge people to undergo screenings for early detection/treatment in light of the reduction in cancer screenings prompted by the pandemic, and implementing projects to verify the effectiveness of these policies. We will also promote medical transplantation.

From the viewpoint of establishing a system to efficiently provide high-quality medical care, we will verify the efforts taken with the 2022 revision of medical service fees, publicize the results, and put in place mechanisms to promote and firmly establish the practice of refill prescriptions. We will set a target figure for biosimilars this fiscal year based on the effectiveness of optimizing medical expenses and steadily work toward this target. Based on the experience of dealing with COVID-19, we will review the approaches adopted to assist medical institutions accepting inpatients with COVID-19, taking into consideration previous special cases of reimbursement of medical fees as well<sup>151</sup>. From the perspective of the

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<sup>146</sup> In doing so, we will consider enhancing the details that can be visualized, such as distinguishing subsidies from business profits

<sup>147</sup> We are pursuing R&D for AI hospitals, etc., in the second phase (FY2018-FY2022) of the “Strategic Innovation Program (SIP)” launched in 2018

<sup>148</sup> The Pharmaceutical Industry Vision 2021 mentions the importance of KPIs from the perspective of continuing pharmaceutical industry policy efforts, and we will set KPIs and endeavor to strengthen drug discovery capabilities

<sup>149</sup> Includes, in addition to analysis results on up to 100,000 genomes, the results of multiomics (comprehensive information on biomolecules) analysis

<sup>150</sup> Approved by the Cabinet on March 9, 2018

<sup>151</sup> Includes payments based on past income

soundness of the National Health Insurance System, we will push to eliminate non-statutory transfers, etc., as soon as possible and to deepen discussions with local organizations, etc., to indicate the direction for distributing ordinary adjusting subsidies.

We will aggregate scientific evidence on general health and oral health and provide appropriate information to the public, concretely consider lifelong dental examinations (“universal oral health checks”), enhance oral health management by dental professionals helping to combat oral frailty and prevent dental illnesses from becoming severe, promote collaboration between relevant occupations and organizations such as between dental technicians and between dental and medical professionals, secure dental hygienists and dental technicians, promote the use of ICT in the field of dentistry, including among dental technicians, and work to develop and improve systems for providing dental health care. We will also promote the introduction of dental materials not affected by market prices.

### **3. Developing social capital that enhances productivity and supports the economy and society**

We will take advantage of the ultra-high speed, ultra-low latency environment allowing multiple simultaneous connections created by setting up and expanding 5G networks, etc., to make open infrastructure data available and link up data to promote technology development at universities and in the private sector, promote i-Construction by supporting the widespread ICT construction for small and medium-sized construction companies, and otherwise accelerate DX in the infrastructure sector to boost productivity.

We will work to optimize public stock by converting to preventive maintenance through the introduction of new technologies as well as efforts to boost sophistication and efficiency and to consolidate and reorganize, and we will consider measures for securing financial resources from the perspective of proper maintenance control. We will consider measures to ensure the implementation of expressway renewal projects and consider how the costs of disaster prevention and mitigation for Shinkansen trains, etc., are to be borne based on inspections of evidence from derailment accidents on the Tohoku Shinkansen Line. To help buttress disaster response capabilities and improve productivity, we will focus on projects with significant stock effects while improving the objectivity and transparency of cost-benefit analysis. In doing so, we will make appropriate use of beneficiary liability and fiscal investment and loan programs.

We will improve the efficiency of public works projects and undertake strategic and systematic efforts while promoting stable and sustainable public investment from a medium- to long-term outlook so that private businesses can make capital investments and develop human resources with peace of mind. In doing so, we will pay close attention to the current surge in material prices and encourage appropriate price pass-throughs, continue to secure the necessary business volume, run through effective PDCA cycles, and steadily improve

social capital.

We will foster and secure human resources to support the construction industry by improving their treatment through promoting Construction Career Up System, harmonizing construction periods, and by implementing thorough safety management for all construction work, and the like.

We will promote location optimization in anticipation of disaster risks and demographic changes, encourage urban renewal while utilizing architecture/urban DX<sup>152</sup>, etc., and engage in human-centered town development by utilizing parks, etc. To ensure the circulation of high-quality housing, we will comprehensively pursue efforts to popularize IoT housing and utilize real estate information<sup>153</sup>. We will also make use of vacant housing, etc., and implement measures pertaining to owner-unknown land in accordance with our Basic Policy<sup>154</sup>.

#### **4. Establishing a new allocation of roles between the national and local governments**

Given the progress of DX across society as a whole and the challenges faced in dealing with the ongoing pandemic, we need to adapt appropriately to a post-pandemic economy and society. Accordingly, the Ministry of Internal Affairs and Communications will reference the investigations and deliberations of the Local Government System Research Council<sup>155</sup> to look toward future services for local residents and, while keeping in mind potential legislation, consider these services from the perspectives of clarifying the division of roles and collaboration between the national and local governments and between local governments, including metropolitan areas such as the Tokyo area.

When the national government stipulates that local governments are legally obliged and delegated to formulate new plans, the guiding principles shall be to establish the minimum necessary requirements based on successive recommendations, etc., as well as provisions and notices mandating the best efforts feasible and, from the viewpoint of ensuring the autonomy and independence of local governments, to require as few new plans as possible and, even when truly necessary, the content and procedures for the plans are to be left as far as possible to the discretion of the local governments involved. Another principle will be to enable plans to be integrated with already formulated plans or to be jointly formulated with other local governments as long as there is no particular hindrance.

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<sup>152</sup> 3D data on the shapes, materials, and construction methods of buildings, urban space reorganization using digital technology as well as Project PLATEAU that promotes the maintenance, utilization, and open-data access of 3D city models, and utilization of unique identification numbers for land, buildings, etc.

<sup>153</sup> Real estate IDs, Land/Real estate Information Library, BIM utilization, maintenance of base registries in cooperation with relevant ministries and agencies, etc.

<sup>154</sup> Promoting cadastral surveys and registry office designated maps in the “Basic Policy on the Promotion of Measures for Owner-Unknown Land” (approved by the Inter-Ministerial Council on the Promotion of Measures for Owner-Unknown Land” on May 27, 4)

<sup>155</sup> The Local Government System Research Council has been asked to investigate and deliberate on the relationships between the national government and local public organizations and between local public organizations, as well as on other necessary local systems

With regard to financial transfers made by the national government to local governments in response to the COVID-19 pandemic, we will visualize the details and results of these transfers based on project implementation plans, financial results, etc., verify outcomes and issues, and promptly restore the normal expenditure structure of local public finance once the pandemic is under control.

## **5. Promoting education and research activities that support socioeconomic vitality**

In light of the diverse characteristics of children and the declining birthrates and other circumstances of local communities, we will strive to improve the well-being of individuals and society as a whole through learning that maximizes the potential of all children and leaves no child behind. To this end, we will present a preferred direction for resource allocation in the next Basic Plan for the Promotion of Education, taking into consideration the optimal combination of real and digital in the education DX<sup>156</sup> that has made headway in the wake of the COVID-19 pandemic. While valuing interaction between people, we will seek to promptly realize “personalized and self-regulated learning” and “collaborative learning” that, presuming an environment in which each student has a terminal, will allow individuals to move ahead at their own pace through trial-and-error. We will comprehensively pursue integrated reform<sup>157</sup> of educational hardware, software, and human resources linked to education DX, all the while taking care to prevent disparities in home and learning environments, to protect personal information, to monitor the actual working conditions of teachers and the progress made in work style reforms, and to eliminate teacher shortages. While taking into account students’ differing developmental stages, we will strive to dramatically enhance inquiry-based, STEAM and entrepreneurship education, etc., at all stages of school education without being overly constrained by an insistence on teaching children of the same age the same content from the same teaching materials, etc. We will create desirable educational environments and guidance systems for junior high and other schools, utilizing the verified multifaceted effects achieved in 35-student elementary school classes.

We will improve the fundamental environment for learning. To foster non-cognitive skills, we will qualitatively improve education and childcare in early childhood and the transition

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<sup>156</sup> Establishing a GIGA school management support center, encouraging wider use of digital textbooks, promoting the utilization of EdTech created by the private sector for education, promoting 35-student classes in elementary schools and subject-based teacher assignments for late elementary grades, flexibly securing and utilizing outside personnel and otherwise creating environments in which teachers can concentrate on their duties with peace of mind, and improving the credentials of teachers and the sophistication of teacher training

<sup>157</sup> Establishing GIGA school support centers, encouraging wider use of digital textbooks, promoting the utilization of EdTech created by private education, promoting 35-student classes in elementary schools and subject-based teacher assignments for late elementary grades, flexibly securing and utilizing outside personnel and otherwise creating environments in which teachers can concentrate on their duties with peace of mind, and improving the credentials of teachers and the sophistication of teacher training

period between early childhood education and care setting and elementary school and promote cultural/artistic, sports and nature experiences as well as reading activities that foster sensibility and creativity. Using ICT effectively, we will promote to establish special schools for non-attendance at school in each prefecture and enhance guidance, encourage the assignment of SC/SSW<sup>158</sup>, etc. to deal with serious bullying, suicide of students and non-attendance at school, support students with special talents and enhance special needs education<sup>159</sup>, strengthen the functions of overseas education facilities by establishing learning environments equivalent to those in Japan and offering education that makes use of these facilities' distinctive features, and enhance local human resource development capabilities by promoting the utilization of community learning centers, etc., as social education facilities. While developing educational environment for students<sup>160</sup> that realizes learning suitable for the digital age, we will promote school safety by incorporating the concept of safety promotion schools that implement systematic and practical safety measures<sup>161</sup>.

We will implement the “Sixth Science, Technology and Innovation Basic Plan”<sup>162</sup> and sector-specific strategies<sup>163</sup> to bring about a sustainable economy and society through public-private partnerships. We will accelerate our standard utilization strategies to apply R&D results in society and to acquire international markets. With the aim of creating disruptive innovations, we will encourage R&D subsidy programs<sup>164</sup> that tolerate initial failures and seek long-term results. We will carry out integrated reforms of education, research, and governance, continually verify and review the allocation of operating expense grants to national university corporations based on results determined through objective and common indicators and incorporate greater variation into the allocation of private school subsidies and other financial support to universities to increase the number of young researchers, and so on. We will promptly submit to the Diet this autumn or thereafter a bill for effective governance reform at incorporated educational institutions that can meet the needs of society while taking into account the histories and diversity of these institutions. We will

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<sup>158</sup> SC: School Counselor, SSW: School Social Worker

<sup>159</sup> Includes smooth administration of special support services in resource rooms, such as appropriate selection between special support services in resource rooms and special needs classes

<sup>160</sup> Systematic and efficient development of school facilities, including renovation to extend the service life that integrate improvements to the educational environment with countermeasures against deterioration, and the formulation of a cross-sectional action plan

<sup>161</sup> Based on the “Third Plan on Promotion of School Safety” (approved by the Cabinet on March 25, 2022)

<sup>162</sup> Approved by the Cabinet on March 26, 2021

<sup>163</sup> AI, biotechnology, quantum technologies, materials, environmental energy, safety/security, health/medical care, space, oceans, food/agriculture, forestry and fisheries are positioned as strategically important fields in the “6th Science, Technology and Innovation Basic Plan”. We will also pursue efforts in accordance with the “The Action Plan for Promotion of Production and Utilization of Medical Radioisotopes “:

<sup>164</sup> Moonshot Research and Development Program, FOREST (Fusion Oriented REsearch for disruptive Science and Technology), etc.

strive to improve the quality and productivity of research by means<sup>165</sup> such as improving internationality<sup>166</sup>, encouraging the smooth migration of human resources, strategically improving and utilizing large-scale research facilities through joint public-private schemes<sup>167</sup>, advancing research DX inclusive of the utilization of information infrastructure, and promoting international joint research in various R&D projects.

## **Chapter 5 Immediate economic and financial management and Guiding Principles in Budget Formulation for FY2023**

### **1. Immediate economic and financial management**

With private demand weak at the moment, we are facing price hike accompanied by an outflow of income overseas, and Russia's aggression against Ukraine has changed the environment surrounding security. Given these circumstances, we need to appropriately implement economic and fiscal management under bold monetary policy, agile fiscal policy, and growth strategies that will encourage private investment, and to expand the “virtuous cycle of growth and distribution” while driving structural changes.

Accordingly, we will carry out thorough economic and financial management using the two-step approach presented in Chapter 1.

For the time being, we will progressively execute the Economic Measures for Overcoming Coronavirus Infections and Opening Up a New Era”, the FY2021 supplementary budget, and the FY2022 budget, promptly and steadily carry out the “Comprehensive Emergency Measures to Counter Soaring Crude Oil and Other Prices under the COVID-19 Pandemic” utilizing contingency funds for FY2022, address downside risks to the economy, and raise wages, pass on prices and take other steps to ensure a “virtuous cycle of growth and distribution” to bring about an economic recovery centered on private demand, including consumption and investment.

On that basis, we will promptly give shape to and implement comprehensive measures to advance this Basic Policy as well as the grand design and action plan for the “New Form of Capitalism”. To realize a “New Form of Capitalism” that uses investment in human resources, digital technology and green initiatives aimed at resolving social issues as the engine of economic growth, we will strengthen supply capacity and build a foundation for sustainable growth by promoting collaboration between the public and private sectors in undertaking systematic and bold prioritized investments.

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<sup>165</sup> Sharing of facilities, equipment and devices, integrated reform of competitive research funds, utilization of research personnel to support research, expanded utilization of fund-matching, flexible reviews by foundations of fund allocation by stage gate, etc.

<sup>166</sup> Efforts at the Okinawa Institute of Science and Technology Graduate University (OIST) constitute one example

<sup>167</sup> Includes international facilities that will lead the world's academic frontiers of in fields such as biology/medicine, particle physics, astronomy, and informatics

## **2. Guiding Principles in Budget Formulation for FY2023**

- ① Based on the situational awareness described above, we will firmly respond to downside risks to the economy and ensure a virtuous cycle of growth and distribution by achieving a steady economic recovery centered on private demand.
- ② We will promote integrated economic and fiscal reforms in the budget for FY2023 based on this Basic Policy and the Basic Policy on Economic and Fiscal Management and Reform 2021. However, this should not lead to narrowing the range of available options for important policies.
- ③ We will pursue systematic and bold prioritized investment – investment in science, technology and innovation, investment in startups, investment in GX, and investment in DX – through public-private partnerships to achieve the “New Form of Capitalism”.
- ④ We will rectify the harmful effects of single-year budgeting by utilizing funds in accordance with the nature of projects and taking flexible and appropriate measures that enable budgets to be executed over the entire fiscal year in order to provide policies with a long-term direction and greater predictability. To ensure that expenditures are more effective in producing results, we will visualize the usage and results of successive supplementary budgets passed during the COVID-19 pandemic, pursue EBPM and PDCA efforts, and carefully ensure effective and efficient (wise) spending.