

Basic Policy on Economic and Fiscal Management and Reform 2023

June 16, 2023
Cabinet Decision

The content of the Basic Policy on Economic and Fiscal Management and Reform 2023 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal
Management and Reform 2023

Accelerating the New Form of Capitalism
—Expanding Investment for the Future and Realizing
Structural Wage Increases—

June 16, 2023

Basic Policy on Economic and Fiscal Management and Reform 2023

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Chapter 1 Basic Views on Macroeconomic Management

1. Concept of this Basic Policy

Japan is now facing historical and structural changes and challenges at home and abroad. Looking overseas, the world is increasingly forced to take decisive steps and achieve international cooperation to address global challenges, including maintaining and strengthening a free and open international order based on the rule of law, which is more important than ever amid the Russian aggression against Ukraine, where the very foundations of the international order are shaken, addressing downside risks to the global economy caused by inflationary pressures and rapid monetary tightening by Western countries, overcoming increasingly serious global climate change and disaster problems, and restructuring supply chains to meet economic security, including energy and food challenges. Domestically, we are faced with structural challenges requiring us to change our attitudes or awareness and social change, such as an end to a quarter-century of deflation, a response to the rapidly declining birthrate and the underlying uncertainty of the future for young people, the realization of an inclusive society in which everyone can choose their own way of working throughout their lives regardless of employment type, age or gender, and where inequality will not be fixed, and the construction of a sustainable economic society based on the experiences of climate change and the novel coronavirus. Japan must create an economy and society befitting the new era by implementing bold reforms to overcome structural challenges at home and abroad, which could be called a historical turning point.

The "new form of capitalism" being promoted by the Kishida administration aims to create a virtuous cycle of growth and distribution, in which broad-based growth and appropriate distribution create a mutually virtuous cycle through building a sustainable and inclusive society by promoting economic and social transformation in response to these changes and by turning efforts to solve social issues into engines of growth in themselves.

For a quarter of a century, fighting deflation has always been the most important issue of macroeconomic policy management in our country. In the midst of global economic structural changes, companies at home were forced to prioritize cost reduction due to the stagnant demand caused by deflation and cost competition with emerging countries, and they sought overseas markets rather than domestic markets by increasing the ratio of overseas production, restraining domestic investment and curbing wages for workers. As a result, our country has faced new challenges, such as stagnant innovation, an increase in precarious non-regular employment, concerns about entrenching inequality, and a shrinking middle class.

In response to this situation, the Kishida administration has developed a policy of

promoting investment in people and domestic investment under the slogan of "a new form of capitalism," redefining wages and investment in equipment, research and development, etc., which have traditionally been recognized as costs, as investments for the future. Coupled with these policy developments, the challenge of breaking the vicious cycle has certainly begun to move, with wage hikes reaching a 30-year high and the high investment appetite that has been fostered in the corporate sector. Now is the time to further accelerate these positive developments.

First, while ensuring mark-up through appropriate cost pass-through, the government will implement the trinity labor market reforms such as supporting workers' capacity building through reskilling and upskilling in order to keep high wage rises sustainable, thereby leading to a virtuous cycle of wages and prices through structural wage increases. At the same time, the government will implement targeted public spending in areas such as investment in people, a green environment, and economic security, which are likely to suffer underinvestment if left to the market or competition, and use this as a trigger to expand private investment. In this way, the government and the private sector will work together to solve social issues while linking these efforts to sustainable growth as engines of growth.

It is precisely through this new form of capitalism that we will achieve a virtuous cycle of growth and distribution, in which economic value is added, profits generated by businesses are distributed to workers through structural wage increases, consumption and business investment are increased, and further economic growth is generated. In addition, the government will revive a substantial middle class by building a society that supports children and child-rearing families as a whole, ensuring an education system where every child has an opportunity, improving the sustainability of the social security system, which provides a foundation for stability in life and peace of mind in the future, and working to realize an inclusive society in which diverse values are respected.

Child and child-rearing policies are the most effective investment for the future, and in line with "Policy on Future Strategy for Children" ¹, the entire government will drastically strengthen its efforts to reverse the trend toward a declining birthrate.

At the G7 Hiroshima Summit, there was a common understanding of the importance of efforts aimed at sustainable growth through encouraging private sectors to invest in people, equipment and research and development, taking into account the perspective of economic security. This reiterated the importance of supply-side reforms. Under the banner of "a new form of capitalism," Japan will vigorously pursue reforms to create a new economy and society that realizes

¹ Cabinet Decision on June 13, 2023.

sustainable growth while responding to global risks by mobilizing all budgetary, tax, regulatory, and institutional reforms ahead of the rest of the world. At the same time, taking the opportunity of the Group of Seven (G7) Hiroshima Summit, etc., we will lead discussions on building an international consensus on policy management and strengthening cooperation with comrade nations.

To this end, the Basic Policy on Economic and Fiscal Management and Reform 2023 presents the following:

- the basic concept of macroeconomic management in response to changes in environment at home and abroad as well as the basic policies for expanding investment and implementing economic and social reforms with cooperation between the public and private sectors, such as realizing structural wage increases, investing in people, and creating a substantial middle class to realize a new form of capitalism, promoting GX and DX, startups, and converting to a new industrial structure;
- the process for radical strengthening of child-related and child-rearing policies to reverse the trend of a declining birthrate and the policies to realize an inclusive society in which diversity is respected and everyone can demonstrate its strength and to revitalize local communities based on their own individuality so that small and medium-sized businesses are fully active;
- the policy on strategic diplomacy and security based on the outcomes of the G7 Hiroshima Summit, economic security, energy and food security that will make our country's economy strong as well as the policy for disaster prevention and mitigation to protect citizens from natural disasters, promotion of national resilience, reconstruction from the Great East Japan Earthquake and other disasters, and the safety and security of people's lives; and
- a policy for economic and fiscal management from a medium- to long-term perspective, which will serve as the basis for the implementation of the abovementioned policies, and the approach taken in compiling the budget for FY2024.

2. Macroeconomic management in response to changes in the environment

In macroeconomic management, the government will work closely with the Bank of Japan to flexibly manage policy in response to economic activity, prices, and financial conditions.

The government will first aim to create a virtuous cycle of wages and prices that involves appropriate price pass-through of wage increases and costs arising from exogenous price increases triggered by increases in import prices, and will proceed with measures for the price pass-through by small and medium-sized businesses, including fair subcontracting transactions, the creation of an environment for

continuous increases in the minimum wage, the appropriate labor market reforms, etc.

At the same time, the government will seek to attract private investment to improve productivity and promote innovation, as well as to promote sustainable expansion of domestic investment through investment in people, public-private partnership investment to solve social issues such as GX, and active recruitment of human and financial resources from overseas. In addition, the government will proceed with efforts to overcome structural labor shortages, including the promotion of investment in efficiency, and drastically strengthen efforts to promote startups, thereby fostering the transformation of industrial structures and economic and social reforms. Thus, while ensuring the sustainability of the virtuous cycle of wages and prices, the government aims to create a virtuous cycle of growth and distribution, in which sustainable expansion of consumption and domestic demand is realized, backed by improved growth potential and broad-based increases in household income.

The Bank of Japan is expected to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases considering economic activity, prices, and financial conditions.

Through these efforts, we will continue to work in unison to implement bold monetary policies, flexible fiscal policies, and growth strategies that stimulate private investment, while eliminating the long-running deflationary mindset and fostering widespread recognition that will not fall back into deflation by raising the expected growth rate, thereby leading to an end to deflation.

The Council on Economic and Fiscal Policy regularly reviews the status of macroeconomic policy management, including the policy mix of fiscal and monetary policy, the state of the economy, including prices, wages, and distribution, and the state of efforts to implement structural economic and fiscal reforms.

3. Strengthening the economic structure to achieve sustainable growth

Japan's population is declining at an accelerating pace partly owing to the impact of the coronavirus pandemic, and is expected to decline by 5% in the next 10 years, and then fall below the current 70% in 50 years (2070)². For this reason, we must make every effort to address the declining birthrate on a different level, while creating an economic structure that will enable us to achieve sustainable growth and a secure and happy economy in a society with a declining population that is in full swing. We will achieve sustainable and stable economic growth led by private demand by actively encouraging companies and individuals to take new actions

² The median estimate of Japan's projected future population (estimated in 2023).

under the new form of capitalism.

Viewing these circumstances from the perspective of the balance of savings and investment, which shows the balance of income and expenditure of economic activities, in Japan, since the burst of the bubble economy, the household savings rate has been on a downward trend against the backdrop of an aging population, while companies have moved from excess investment to excess savings, and the government has been unable to overcome its large fiscal deficit. In addition, business investment by the private sector has moved overseas and trade conditions have deteriorated, resulting in income outflows and stagnant wages.

To achieve sustainable economic growth, it is necessary to strengthen domestic investment, including investment to increase startups and productivity and planned investment over multiple years to resolve social issues through public-private partnerships such as that in the field of GX while boosting household income through increased labor participation by women and the elderly and expansion of asset income, and alleviating the downward pressure on the savings rate caused by an aging population. In line with this policy, we need to realize high profits and added value, and to encourage companies to shift to excess investment.

In addition to these efforts to stimulate private investment, the government aims to reduce its fiscal deficit through a combination of efforts such as thorough streamlining in administration and finance as well as elimination of wasteful expenditures by the use of digital transformation (DX), promotion of effective and efficient spending (wise spending) that will contribute to the successful results through EBPM (evidence-based policymaking), and utilization of dynamic thinking with an eye to the future effects of policies. And, while boldly carrying out social transformation in response to a digital society, the government will undertake drastic administrative and fiscal reforms in line with the transformation.

With the concept of “the economy is the foundation of public finance”, the government will ensure the public trust to financial administration by rebuilding the economy and restoring fiscal health.

Chapter 2 Accelerating New Form of Capitalism

1. Realization of structural wage increases through trinity labor market reforms, strengthening investment in people, and creating a substantial middle class

The key to achieving a virtuous cycle between growth and distribution and a virtuous cycle between wages and prices is wage hikes. Building on the foundation of economic growth that has been established, the government will address

structural labor shortages while strengthening investment in people and promoting labor market reforms to achieve sustainable and structural wage hikes that will overcome high prices. At the same time, the government will aim to increase household income by raising wages and expanding income from financial assets and create a society in which diverse human resources work to the best of their abilities to raise corporate productivity, which in turn leads to further wage increases.

(Trinity labor market reforms)

In an era in which each individual chooses his or her own career, it is important to shift to a system in which workers can reskill and upskill, and choose their jobs at their own will by identifying the skills required for each job, and there is an urgent need to seamlessly connect the internal and external labor markets so that workers can move according to their choice. Only when the internal labor market is activated, the entire labor market can be activated; and human capital is the key to increasing corporate value. Based on this philosophy, the government will implement the trinity labor market reforms, which are composed of support for skill improvement through reskilling and upskilling, the introduction of job-based pay according to the condition of individual companies, and facilitating labor transfers into growth sectors, thereby creating a system for structurally increasing wages by transforming the employment system into one that ensures objectivity, transparency, and fairness. In addition, the government will improve productivity of local businesses and small and medium-sized enterprises (SMEs) in parallel with the trinity labor market reforms and will ensure that they have sufficient resources to raise wages through thorough price-pass-through measures.

Regarding support for skill improvement through reskilling and upskilling, the government will expand direct assistance to workers so that the majority of reskilling and upskilling support benefits can be given to individuals within five years, while verifying the effectiveness of the current support measures mainly through companies, and at the same time, will consider expanding education and training benefits and establishing benefits and loan programs to support workers' lives during education and training. In addition, the government will follow up the "Investment in Human Capital" policy package of 1 trillion yen over five years and review the related policies as well as review the rate of employment adjustment subsidies so that it is easier for employers to choose employees' education and training rather than temporary leave when they adjust employment.

Regarding the introduction of job-based pay according to the condition of individual companies, case examples will be compiled by the end of the year by considering the objectives of job-based pay (job-based personnel management) in securing human resources for Japanese companies, methods of allocating,

developing and evaluating human resources, methods of reskilling and upskilling, wage systems, and the relationship between changes in working conditions and current laws and precedents, including examples of small and medium-sized companies, so that these case examples may serve as reference for individual companies at the time of the introduction of the system.

With regard to facilitating labor transfers into growth areas, the government will design an unemployment benefit scheme to ease the requirements for voluntary resignation, for example, by treating the period during which workers are unable to receive unemployment benefits, etc., in the case of voluntary resignation in the same manner as in the cases of involuntary resignation for company reasons if the workers are engaged in reskilling and upskilling education before applying for unemployment benefits. In addition, the government will revise the model working rules to review current labor practices, including reduction of retirement benefits in cases of voluntary retirement, and review of retirement income tax system. Furthermore, it will establish a system in which Career consultants give advice to workers on career advancement and job changes based on the basic information owned by the public and private sectors regarding job applications and job openings and shared after being properly processed.

In the course of these labor market reforms, both the public and private sectors will check the progress of these reforms and review them systematically.

(Growing household incomes and creating a substantial middle class)

Wage increase rates in this year's spring labor-management negotiations were the highest in nearly 30 years. In order to maintain and expand this trend of wage increases, the government will work to create an environment in which small and medium-sized enterprises (SMEs), which account for 70% of employment in our country, can raise wages. In addition, the government will address improvement in the treatment of non-regular workers by raising the minimum wage, thoroughly enforcing the equal pay for equal work system, and examining necessary system reviews, thereby expanding household income led by the increase of the overall wage level around the country.

With regard to the development of an environment for wage increases for SMEs, the government will strengthen the tax system for wage increase and preferential treatment for those through subsidies, etc. In doing so, further measures, including tax credits, will be considered after sorting out the issues in order to promote wage increases even at corporations that are losing money. In addition, in order to increase the amount of added value that can be used as a source of wage increases in each supply chain and to increase the markup rate, as well as to promote the appropriate distribution of added value, the government will strengthen the

promotion of fair trade so that appropriate price pass-through is pursued not only for energy and raw material costs but also for securing the source of wage increases. As part of this effort, a survey will be conducted on the actual labor cost pass-through situation in each industry, and guidelines will be compiled by the end of the year on how to pass on labor costs. In addition to urging industry groups to revise and ensure the completeness of autonomous action plans, the government will support efforts for the Price Negotiation Promotion Month and price negotiations.

The minimum wage, which was raised to a record high last year, will be firmly discussed in the tripartite Minimum Wage Council, which is composed of public, labor and management, including achieving a national weighted average of 1,000 yen per hour this year. With regard to regional disparities, the number of rankings indicating the minimum wage has been revised from four to three, and efforts will continue to be made to correct regional disparities, such as increasing the ratio of the minimum wage to the maximum. From this summer, the policy of raising the minimum wage after the 1,000 yen per hour target is reached will also be discussed at the Council of New Form of Capitalism Realization.

In moving forward with wage increases in the public sector, the government will examine whether the effects of the improved treatment that began in October 2022 are widespread among frontline workers, and will make management information visible.

The government will encourage people to open up 2,000 trillion yen in household financial assets to promote Japan as a leading Asset Management Center that contributes to sustainable growth. To this end, it is important to expand financial asset income as well as household wage income, and the government will implement the Doubling Asset-based Income Plan³, including major expansion of and making permanent NISA (Nippon Individual Savings Account, tax exemption program for small investment), the establishment of the new public organization to accelerate financial and economic education and the promotion of customer-oriented business operations, making efforts to reach a conclusion by the end of 2024 on raising the contribution limit and the upper limit of age eligibility to start receiving benefits for iDeCo (individual-type Defined Contribution pension plan). In addition, by the end of the year, the government will formulate a policy plan for fundamental reform of asset management sector, etc., that aims at improving the governance and strengthening the structure of asset management companies and asset owners, improving asset management capabilities, and fostering an environment to diversify asset management products.

Together with these efforts to increase household income, the government will

³ Decision of the Council of New Form of Capitalism Realization on November 28, 2022.

work to build a sustainable social security system, drastically strengthen child policies and measures against the declining birthrate and revive high-quality public education, thereby reviving a substantial middle class, avoiding the social divide caused by widening and entrenching inequality, and realizing a sustainable economic society.

(Promotion of diverse work styles)

Along with the trinity labor market reforms, the government will also look to address labor shortages and build an employment safety net that effectively supports diverse ways of working so that diverse human resources can work to the best of their abilities, and create an environment in which people can choose various ways of working based on individual needs and everybody can play an active role. To this end, it will consider expanding employment insurance coverage for workers who work less than 20 hours a week, with a target of implementation by FY2028. At the same time, in addition to promoting support for balancing work and nursing care in light of the increase in the number of high-quality teleworkers and so-called business carers (meaning those who work while caring for their family members) who can make effective use of their time and place, the government will promote the introduction of a work interval system and further promote work-style reforms such as the strengthening of mental health measures, as well as the promotion of side jobs and multiple jobs, and the spread of a selective three-day workweek system. In addition, in order to create an environment in which freelancers can work with peace of mind, it will make efforts to fully disseminate and raise awareness of the Act on improvement of transactions between freelancers and their client companies⁴, and to enhance the execution system of the Act and the consultation system for freelancers.

With regard to national public employees, the government will further promote work-style reforms by improving the digital environment, reviewing work operations, and enhancing a work style that is not bound by time or place, while strategically working to secure and develop human resources by expanding the number of applicants for recruitment examinations, utilizing mid-career hires, providing work experience and opportunities for upgrading skills that contribute to growth as national public employees, and acquiring knowledge from the private sector.

⁴ Act on Ensuring Fair Transactions Involving Freelance Contractors (Act No. 25 of 2023).

2. Expanding investment and implementing economic and social reforms

(1) Increasing domestic investment and strengthening supply chains through public-private partnerships

Under the new form of capitalism, wage hikes and capital investment, which were previously recognized as costs, have been reaffirmed as investment for the future, and efforts are being made to promote investment in people and domestic investment. With such policy backing, the corporate sector has developed a high appetite for investment, as exemplified by the Keidanren's goal to achieve as early as possible private capital investment of 115 trillion yen, the highest level since the bubble era. Now is the time to further accelerate these positive developments as the challenge of breaking the vicious cycle of prolonged wage stagnation and continued deflation gets underway. It is essential to create high-quality jobs, realize structural wage increases, and boldly promote domestic investment and research and development through the intensive development of policies that will serve as a trigger for the nation by mobilizing all budgetary, tax, regulatory, and institutional reforms. By doing so, the government will accelerate the drive to revitalize the Japanese economy, overcome challenges, including population decline, labor shortages, and global environmental problems, transform our economy and society into a new industrial structure, and rebuild the foundation that will deliver strong growth over the medium to long term.

To boldly expand investment in key areas such as GX, DX, science, technology and innovation, and startups, the government will present a long-term vision, commit to priming government investment in multiple years, and provide an outlook for regulatory and institutional measures to help the private sector gain more foresight to induce private investment. In light of the fact that employment opportunities and wage levels are the biggest causes of the declining birthrate, the government will provide strong support, especially for investment by mid-sized companies and small and medium-sized enterprises (SMEs), which are driving regional economies, in order to create quality jobs and increase the income of young people. In addition, it will respond appropriately to issues such as securing talented human resources and labor shortages to support these new businesses⁵. As the international environment becomes increasingly uncertain and global supply chains are being restructured, through these efforts, our country, with its technological prowess, will establish an economic structure that is more resilient against shocks by enhancing its ability to supply and export important goods through investment promotion. In addition, the government will make strong efforts to resolve various issues in eliciting investment from the private sector, including

⁵ Including the matters described in the preceding paragraph, such as facilitating labor transfer into growth sectors.

treatment⁶ under the Antimonopoly Act⁷. It will also encourage the creation of intellectual property and strengthen the competitiveness of our country's location as an innovation hub⁸, and will encourage private businesses to promote value-creating management and management reforms, thereby leading to increased investment⁹.

It is also important to expand investment in Japan as a whole by actively attracting people, goods, money and ideas from overseas, thereby enhancing innovation to further economic growth in our country. Aiming to achieve the target of 100 trillion yen in inward foreign direct investment by 2030 at an earliest date, the government will implement the “Action Plan for Attracting Human and Financial Resources from Overseas”¹⁰ at an earliest date, which will include promoting investment in strategic areas such as semiconductors, establishing Asia's largest startup hub in our country¹¹, establishing the Japan System for Special Highly-Skilled Professionals (J-Skip) and the Japan System for Future Creation Individual Visa (J-Find), developing systems to attract highly skilled foreign human resources, including the reviewing the ideal form of the Technical Intern Training Program and the Specified Skilled Worker System, strengthening the functions of the international financial center, promoting investment campaigns, and enhancing global awareness, thereby leading to sustainable growth of the national economy and revitalization of regional economies.

In particular, with the G7 Hiroshima Summit as an opportunity for our country to demonstrate its leadership in solving the global challenge of strengthening the resilience of global supply chains, the government aims to make our country play a core part of the global supply chain, including next-generation semiconductors, and will start supporting the semiconductor industry, while working to further expand domestic investment, research and development, and human resource development.

⁶ Responding to the Antimonopoly Act - related issues in the joint procurement of raw materials and data-sharing, etc. for implementing GX (active responses to consultations and improvement of guidelines to clarify acts do not pose problems under the Act, etc.).

⁷ Act No. 54 of 1947 (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade).

⁸ The government will continue to consider measures, including tax policies, to encourage private companies to invest in research and development for the creation of intellectual property.

⁹ The government will promote the qualitative improvement of corporate governance and dialogue with investors, etc., in order to encourage corporate management that can realize sustainable growth in the future while generating value through problem-solving investment such as investment in people.

¹⁰ Decision of the Council for Promotion of Foreign Direct Investment in Japan on April 26, 2023.

¹¹ Strengthening concentrated support for Startup Cities, promoting collaboration and attraction of domestic and foreign companies including startups, and improving the convenience of the visas for foreign entrepreneurs (startup visas).

(2) Accelerating Green Transformation (GX), Digital Transformation (DX), etc.
(Green Transformation (GX))

To achieve 46% reduction in greenhouse gas emissions in FY2030 (compared to FY2013 levels) and net zero by 2050, we will boldly accelerate GX investments while making the most of our country's technological strengths, thereby creating new demand and markets in the areas of stable energy supply and decarbonization, and strengthening the industrial competitiveness of the Japanese economy and boosting its economic growth¹². To this end, for 10 years, the government and private sectors will work together to realize more than 150 trillion yen in new investments in decarbonization.

To promote thorough energy conservation, the government will promote initiatives such as energy-saving subsidies for small and medium-sized companies that can seamlessly respond to multi-year investment plans, and ZEH and ZEB¹³ programs, including the construction and renovation of energy-efficient homes and buildings, and the renovation of insulated windows, as well as focus on the conversion of industries to non-fossil energy. The government will also accelerate conversion of the manufacturing industries from fuels and raw materials to non-fossil energy and material sources, for example, presenting guidelines for non-fossil targets for FY2030 for the five major industrial sectors (steel, chemical, cement, paper and automobile) that account for 40% of the industrial sector's energy use.

With regard to renewable energy, the government will work to expand the use of renewable energy to the maximum extent possible under the principle of the highest priority as a main power source, with S+3E¹⁴ as the main premise, while seeking to reduce the burden on the public and to coexist with the local community. For this reason, over the next 10 years or so, the government will accelerate the development of a system connecting regions at a scale (more than 10 million kW) of more than eight times that of the past 10 years (about 1.2 million kW), as well as the Seabed High Voltage Direct Current (HVDC) from Hokkaido by FY2030¹⁵. It also encourages energy companies to engage in real local production for local consumption, including decentralized energy systems. In addition, the government will accelerate innovation for the introduction of renewable energy, promote social implementation of next-generation solar cells (perovskites) and floating offshore wind power¹⁶, develop technologies for next-generation batteries and smart energy management systems, and build supply chains and train locally based human

¹² Measures to ensure a stable energy supply will be implemented in accordance with the Sixth Basic Energy Plan (Cabinet Decision on October 22, 2021).

¹³ Abbreviations for Net Zero Energy House and Net Zero Energy Building.

¹⁴ Abbreviation for Safety, Energy Security, Economic Efficiency, and Environment.

¹⁵ In addition, the government will promote efforts to build hybrid dams that combine flood control and hydroelectric power generation functions.

¹⁶ Including legislation to expand offshore wind installations to the exclusive economic zone (EEZ).

resources in the field of renewable energy to improve the technology self-sufficiency rate.

With regard to the utilization of nuclear power, we will facilitate the restart of the nuclear reactors that have passed safety reviews by the Nuclear Regulation Authority and have gained local understanding, on the major premise of ensuring safety. We will also aim to improve nuclear safety through the development and construction of next-generation advanced reactors with built-in new safety mechanisms. On the basic premise of gaining local understanding, plans for building next-generation advanced reactors within the sites of existing nuclear power plants that have determined to be decommissioned will be materialized. Additionally, the business environment required for safety improvement and other initiatives will be developed, while offering stronger support for research and development, training, and supply chain maintenance and enhancement. On the premise of the NRA conducting rigorous safety reviews, the operation period, limited to 40 years with a possibility of extensions for 20 years in the same way as current regulations, will be approved to be additionally extended for a certain length of outage periods. In addition, the government will promote the nuclear fuel cycle, develop mechanisms for sharing knowledge and securing funds for the steady and efficient decommissioning of nuclear reactors, promote public understanding under the leadership of the national government, and drastically strengthen the proactive approach to local governments to realize final disposal.

The government will proceed with measures based on the revised Basic Hydrogen Strategy¹⁷ and work to develop systems integrated with regulations and support from both the supply and demand sides, including support to increase the predictability of projects focusing on price differentials from existing fuels and support for the establishment of bases to encourage greater demand and industrial agglomeration. With a view to commencing commercial operations by around 2030, it will aim to quickly build a large and strong supply chain for hydrogen and ammonia, while developing hydrogen core technology in Japan and overseas. As for automobiles, with an eye toward the use of synthetic fuels (e-fuels) in internal combustion engines, which is targeted to be commercialized by the early 2030s, the government will support the investment promotion and technological development of batteries, the purchase of cars, the development of charging and hydrogen fueling infrastructure, and the business transformation of small and medium-sized suppliers, towards a target of 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. In the shipping, aviation, and

¹⁷ Decision of the Ministerial Meeting on Renewable Energy and Hydrogen, etc., on June 6, 2023.

rail¹⁸ transportation sectors, the government will build a system that can stably supply sustainable aviation fuel (SAF) at internationally competitive prices¹⁹, in conjunction with the establishment of Carbon-Neutral Ports²⁰ and the development and introduction of zero-emission ships, as well as the introduction of fuel-efficient aircraft and improved operations. In addition, decarbonization of infrastructure, including GX for community development, will be further promoted, and measures for forest carbon sinks²¹ will be accelerated. The government will promote efforts for research and development, capital investment and demand generation for GX in various fields, including the carbon recycling field involving recycled carbon fuels and gas such as e-fuels and e-methane, as well as CCS²² and geothermal energy.

Aiming to realize more than 150 trillion yen of public-private GX investment for 10 years, the government will promptly realize and implement the Pro-Growth-Carbon Pricing Concept, including formulating a GX promotion strategy based on the GX Promotion Act²³ and implementing, in conjunction with regulatory and institutional measures, bold advance investment support utilizing GX Economy Transition Bonds and other instruments backed by future financial resources to be issued from this fiscal year.

In order to decarbonize local communities and lifestyles, the government will provide small and medium-sized enterprises (SMEs) with support for decarbonized management and human resource development, and support the social implementation of including by selecting at least 100 Decarbonization Leading Areas by FY2025. In addition, through the nationwide expansion of a new national movement, it will encourage behavioral changes and lifestyle changes among citizens and consumers and stimulate demand for decarbonized products²⁴. In order to overcome environmental and resource constraints, strengthen economic security, enhance economic growth and industrial competitiveness, the government will work to realize circular economy while utilizing industry-government-academia partnerships. In addition, a system will be introduced to accelerate resource circulation through collaboration between manufactures and recyclers²⁵ and

¹⁸ Including the introduction of fuel cell powered trains.

¹⁹ In the United States, SAF production needs to be expanded exponentially; therefore, means to reduce SAF cost to approach/reach parity with petroleum-based jet fuel are critical to achieve long-term (2050) success.

²⁰ Including the development of base ports to support the promotion of offshore wind power generation.

²¹ Including the development of forest resource information, the promotion of wood use in buildings, etc., and the use of blue carbon (carbon derived from carbon dioxide absorbed and fixed by marine ecosystems) through the conservation, restoration, and creation of Blue Infrastructure (seagrass beds, tidal flats, etc., and bio-symbiotic harbor structures).

²² Abbreviation for Carbon dioxide Capture and Storage.

²³ Act on Promoting a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure (Act No. 32 of 2023).

²⁴ Including efforts to visualize the carbon footprint and other emissions.

²⁵ Cooperation between the arterial industry, such as from production to retail, and the venous industry, such as recycling after consumption.

support the creation of resilient resource circulation markets²⁶ over the medium to long term.

Regarding financing to support GX investment, the government will strengthen the functions of the international financial center to make Japan a hub for GX investment in Asia. In addition to expanding green finance and strengthening efforts to foster international understanding of transition finance, the government will develop and establish a financial method combining public and private finance (blended finance). In addition, it will create an environment to promote sustainable finance as a whole, including the enhancement of the quality and quantity of disclosures based on TCFD recommendations²⁷, etc.

(Digital transformation (DX) and AI readiness)

The government will promote initiatives to make the benefits of digitization widely felt in collaboration with local governments and private businesses. The government will promote the use of gBizID²⁸, jGrants²⁹, etc., to facilitate administrative services for business operators such as business start-ups and grant application procedures and develop a basic corporate information database. The government will review the regulations en masse by June 2024 in accordance with the timetable³⁰ for reviewing about 10,000 provisions of the analog regulations presented by the Digital Extraordinary Administrative Advisory Committee. In addition, it will promote digital completion of administrative procedures and development and the implementation of technology maps. Furthermore, in order to resolve issues such as vendor lock-in, the government will move forward with efforts to review the procurement of information systems³¹.

Initiatives based on the Cybersecurity Strategy³² will be promoted³³. And the government will promote the development of a fair competitive environment in the mobile phone market to reduce communication charges and take necessary measures such as the realization of inter-carrier roaming in times of emergency, such as communication disruptions. In addition, the government will promote the enrichment and advanced utilization of geospatial (G-space) information, which

²⁶ It involves properly assessing the value of recycled materials in the market and expanding the use of recycled materials.

²⁷ Abbreviation for Task Force on Climate-related Financial Disclosures.

²⁸ A common certification system for corporations and sole proprietors. Users can log in to multiple government services with a single ID and password.

²⁹ An electronic application system for government grants.

³⁰ Decision of the Digital Extraordinary Administrative Advisory Committee on December 21, 2022.

³¹ Including the use of the Japanese version of the Digital Marketplace, which allows government agencies considering the introduction of digital services from FY2024 to select and contract with the most appropriate specifications from line-ups of services and vendors registered on catalog sites when conducting procurement.

³² Cabinet Decision on September 28, 2021.

³³ Including necessary measures to enhance IoT security.

contributes to national security, and the development of quasi-zenith satellites³⁴ and utilization of satellite data. It will take measures to cope with misinformation, etc., in the digital space, and consider the legal framework necessary to ensure a competitive environment in the market for smartphone apps, etc.

In order to realize a decentralized digital society, while giving consideration to user protection, the government will make necessary efforts to utilize Web 3.0 tokens³⁵, create an environment for the revitalization of the content industry³⁶, and expand the range of players and ideas³⁷.

Based on the Priority Policy Program³⁸, the entire government, centered on the Digital Agency, will steadily pursue the digitization of government, applying the Digital 3 Principles³⁹ 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. With regard to the Individual Number Cards ("My Number Card") as a passport for a digital society, the government is making concerted efforts to ensure the safety and trustworthiness of the system, and, in light of the situation that the card is prevailing in almost the entire population⁴⁰, it will work to improve the convenience and functions of the card and to create an environment in which it can be obtained smoothly and it can be used in various fields in both the public and private sectors.

In order to strengthen data infrastructure, which is essential for the realization of a digital society, the Digital Agency will collaborate with related ministries and agencies to design an architecture that includes data handling rules, and then build data linkage infrastructure in the areas of health, medical care and long-term care, education, infrastructure, disaster prevention, and mobility.

In addition to improving the convenience of MyNumber, efforts will be made to reduce the burden of various procedures such as tax and social security for individuals and corporations, and the administrative costs for social security

³⁴ Further improvements will be made, including the study and development of an 11-satellite system while reducing costs.

³⁵ In addition to promoting necessary measures for the smooth issuance and distribution of stablecoins and security tokens, the government will investigate and sort out the actual state of fund procurement through crypto assets and tokens, and consider whether those that contribute to facilitating the smooth supply of funds by business operators should be eligible for investment under the Limited Partnership Act for Investment (LPS Act, Act No. 90 of 1998).

³⁶ For the overseas expansion of Web 3.0 content, the government will encourage the creation of use cases in the content area by utilizing programs such as JLOX Subsidy for Projects to Promote Overseas Expansion of Content and to Strengthen the Base thereof and Project to Promote the Global Expansion of Japan's Art.

³⁷ The government will sponsor and disseminate events such as international conferences attended by entrepreneurs and engineers active in the Web 3.0 field worldwide, support networking and create new use cases.

³⁸ Priority Policy Program for Realizing a Digital Society (revised on June 9, 2023).

³⁹ Digital First, Once Only, Connected One-Stop.

⁴⁰ The cumulative total of applicants as of June 11, 2023, to the population is 77.2%.

benefits will be streamlined by the introduction of digital technology, and information collaboration among administrative agencies will be promoted.

In accordance with the Basic Policy for Standardization of Local Government Information Systems⁴¹, the government will promote efforts to shift to standard-compliant systems using the Government Cloud by the end of FY2025, with the aim of unifying and standardizing local government basic information systems. Based on the belief that it is important for the national government to support local governments by leveraging digital power to realize a one-stop digital government from the perspective of residents and businesses, the government will review administrative services through the national and local governments by utilizing a common digital infrastructure and reviewing local rules in order to enhance public convenience.

In addition, based on the Promotion Plan⁴², the Ministry of Internal Affairs and Communications will promote digitalization initiatives⁴³ that lead to greater administrative and financial efficiency, such as securing and developing digital human resources, utilizing digital technologies, and reforming the points of contact ("front")⁴⁴ with citizens.

With regard to CBDC⁴⁵, based on the deliberations at the Expert Meeting on CBDC that are to be held by the end of the year and international trend, the government and the Bank of Japan will outline the design of CBDC⁴⁶, and consider the feasibility and legal aspects of issuing a CBDC.

The government will lead international discussions, including the Hiroshima AI Process⁴⁷, in light of the Tentative Summary of AI Issues⁴⁸ of the AI Strategy Council. In order to promote the development, provision and use of generative AI, the government will promote appropriate responses to various risks of AI, as a guardrail, and strengthen AI development capabilities, including the optimal use of AI and the development and expansion of computational resources and data. In addition, it will set up an international framework to embody the DFFT⁴⁹ and pursue related projects⁵⁰.

⁴¹ Cabinet Decision on October 7, 2022.

⁴² Local Government Digital Transformation (DX) Promotion Plan (Version 2.0) (formulated by the MIC on September 2, 2022).

⁴³ Including the effective use of municipal Mynapoint.

⁴⁴ Promotion and enhancement of online applications and realization of diverse contact points, etc.

⁴⁵ Abbreviation for Central Bank Digital Currency.

⁴⁶ The basic concepts and possible options will be clarified on such issues as the role design between the private sector and the Bank of Japan, as well as between CBDC and other types of payment instruments, and ensuring security and handling of user information.

⁴⁷ G7 Hiroshima Leaders' Communiqué (May 20, 2023).

⁴⁸ Formulated by the AI Strategy Council on May 26, 2023.

⁴⁹ Abbreviation for Data Free Flow with Trust.

⁵⁰ In addition to those related to improving the interoperability of regulatory and other systems, technical verification, etc., is planned.

(3) Driving startups, converting to a new industrial structure, and promoting impact investment

It is essential to support the challenge of solving social issues, tolerate the failure that comes with the challenge and promote innovation through trial and error in order to transform the solution of social issues such as investment in people and GX into an engine of growth, as well as to facilitate the labor transfer into growth areas and to realize the transformation into a new industrial structure. As a foundation to support the trial and error of these challenges and failures, in addition to developing an ecosystem to generate and nurture startups and facilitating the entry and exit of companies, the government will expand support to NPOs and other organizations by encouraging investment in companies that challenge solutions to social issues, leading to the creation of new growth industries and the realization of a sustainable economic society.

(Driving startups and converting to new industrial structure)

It is essential to lower the barriers to exit for new entrants and re-challenges, and to create an environment in which startups can grow in order for us to shift to new industrial structures, such as GX and DX, and to ensure sustainable growth. However, business entry and exit rates in Japan remain low compared to those in the United States and major European countries. Therefore, with the aim of achieving goals such as increasing the amount of investment in startups to more than 10 times by the end of the next five years in FY2027, the government will steadily implement measures to facilitate business entry and exit, such as the promotion of human resource development, funding, and open innovation as set forth in Startup Development Five-year Plan⁵¹, and will encourage the transition to a new industrial structure by facilitating exiting, such as establishing an early consultation system for business owners who wish to exit.

Specifically, in order to build human resources and networks for the creation of startups, the government, while providing support according to the conditions of each field⁵² by utilizing the largest-ever budget for startup development of 1 trillion yen based on the Startup Development Five-Year Plan, will promote the development of an environment for the utilization of stock options, including the establishment of a system that allows the issuance of stock options to employees in advance and grant them flexibly, as well as the expansion of support by mentors, the establishment of a base for the development of entrepreneurs⁵³ in Japan and

⁵¹ Decision of the Council of New Form of Capitalism Realization on November 28, 2022.

⁵² Deep-tech, climate-tech, biotechnology, healthcare, etc.

⁵³ In the domestic market, focused support will be provided in eight startup ecosystem hub cities through the support of relevant agencies.

abroad and the exchange of human resources, the creation of startups at universities and colleges of technology in each region, entrepreneurial education, and the attraction of foreign entrepreneurs and investors⁵⁴.

At the same time, the government will coordinate with top overseas universities such as the Massachusetts Institute of Technology (MIT) for collaboration and examine facilities to flesh out the plan, while also promoting initiatives such as the establishment of a Global Startup Campus in central Tokyo that will combine the functions of international joint research and incubation in the deep-tech field by inviting outstanding researchers.

In addition, in order to strengthen the supply of funds for startups and diversify exit strategies, the government will further promote limited liability investment of public capital in venture capital, support for business development in conjunction with venture capital, promote support through the SBIR system and improve the operation of startups in light of the conditions, promote the use of the angel tax system, improve the environment for equity investment-type crowdfunding, improve the trading environment for unlisted stocks, and review the private placement system for professional investors. Furthermore, in order to promote open innovation by large established companies, the government will study tax measures to encourage open innovation, review public offering rules, accelerate the carve-out from management resources held by large companies, and develop business restructuring legislation to facilitate the reduction of financial liabilities by majority vote.

At the same time, from the perspective of facilitating the entry and exit of companies and fostering startups, the government will promote the regulatory reform and the protection and utilization of intellectual property. At the same time, the government will establish a system to enable business owners to consult early on mergers and acquisitions, business restructuring and business closure in the event of a business slump, and expand loans that do not rely on management guarantees, including the creation of a legal system that allows companies to raise funds by collateralizing their entire business' asset.

(Promoting impact investment)

The government will enhance support for social entrepreneurs (impact startups) through the promotion of impact investment and develop an ecosystem of social entrepreneurs, and promptly establish a certification system for social entrepreneurs and introduce preferential public procurement treatment for certified companies. It will proceed with discussions on a new form of corporation in the

⁵⁴ Including study on the establishment of the visas for foreign investors (including angel investors).

private sector with a public role and review⁵⁵ procedures for the approval of business changes for public interest corporations and the fiduciary requirement for public interest trusts in order to attract highly endowed funds. The government will proceed with efforts⁵⁶ to realize capital contributions in the dormant deposit utilization system and will further expand the use of Pay For Success contracting system (PFS), including Social Impact Bond (SIB), by supporting multi-year project formulation and strategically utilizing the budget. The government will formulate the basic guidelines for the dissemination of impact investment within the current fiscal year and take necessary measures for the establishment of a consortium to embody impact indicators and examples. In addition, the government will promote comprehensive support measures to promote impact investment, including consideration of professional dispatch projects and the early establishment of a framework for vehicles to connect with individual investors.

(4) Promoting science, technology and innovation through public-private partnerships

Through investment in science, technology and innovation, the government will transform social issues into engines of economic growth and achieve sustainable growth. To this end, the government will drastically expand science and technology investments through public-private partnerships in the fields of AI, quantum technology, health and medicine⁵⁷, fusion energy, and biotechnology, and restore Japan as a nation built on science and technology. The government will promote efforts to build a small satellite constellation, to strengthen rocket launch capabilities, to strengthen efforts in the space field, such as Moon and Mars exploration and development, such as the landing of the Japanese on the moon⁵⁸, and in the marine field, including the Arctic⁵⁹. In order to respond flexibly to social issues and changes in the situation and to implement them in society at an early stage, new collaborations will be established with public research institutions and funding agencies at the core.

⁵⁵ Based on the Final Report of the Advisory Council on the New Era Public Interest Corporation System (June 2, 2023).

⁵⁶ Based on the Policy for a Five-Year Review of the Dormant Deposit Utilization Act (Cabinet Office, December 16, 2022).

⁵⁷ This includes the development of therapies to suppress the onset and progression of cranial nerve diseases such as dementia, the promotion of next-generation drug discovery, including genomic drug discovery, and regenerative medicine.

⁵⁸ The strategic and flexible funding function of the Japan Aerospace Exploration Agency (JAXA) will be strengthened so that private companies and such can engage in research and development with predictability over multiple years.

⁵⁹ The government will strongly promote development and utilization in marine fields with predictability by formulating multi-year Ocean Development Strategy and securing budgets. It will steadily proceed with its construction of Arctic Research Vessel and will promote global observations toward the construction of ocean digital twins.

Toward the sustainable creation of innovation, the government will realize a world-class research university while forming a diverse and deep group of research universities in an internationally competitive environment. The government will steadily advance the selection of outstanding Universities for International Research Excellence that will lead the improvement of research capabilities across our country, and promptly implement the necessary regulatory reforms to enable strategic and autonomous management. As two wheels of a synergistic and complementary vehicle that includes the expansion and strategic use of management resources and the career development of researchers, etc., the government will encourage these universities to drastically strengthen their functions to realize the diverse missions of research universities with a regional core and distinctive characteristics.

The government will create an environment in which talented young people aspire to become PhDs, a source of innovation. Comprehensive support will be further strengthened to develop attractive prospects, such as improving the treatment of doctoral students, ensuring an environment in which they can devote themselves to challenging research, and developing career paths that enable doctoral degree holders to work in a wide range of fields, including industry.

The government will strengthen cooperation in scientific research with the G7 and other comrades and ASEAN countries that share values, and will accelerate international talent mobility and circulation through open science⁶⁰ and strategic international joint research.

As an investment in people looking ahead to a post-COVID19 global society, it is essential to build a sustainable society that is diverse and inclusive, to enhance international competitiveness, and to contribute to world peace. To this end, Japan will accelerate its response to the rapid changes in society, such as digitalization and globalization, and will strengthen the development of diverse human resources for innovation beyond the boundaries of humanities and sciences, as well as revitalize international human exchanges. In doing so, the government will seek to strengthen the functions of universities, colleges of technology, and other institutions that nurture the highly professional human resources who will support the future, including the reorganization of faculties toward growth fields⁶¹ and the upgrading of college of technology education in response to advanced technology,

⁶⁰ Response to global trends in research environment based on a national open access policy, which includes enhancing the ability for universities and research institutes to negotiate academic platformers based and that for researchers and the research communities to disseminate their research outputs.

⁶¹ This includes the expansion of flexibility in the quota of information faculties in national university corporations that develop advanced information specialists in graduate schools, the promotion of the recruitment of practical teachers in light of flexibility in the method of counting the required number of teachers, and the development of human resources that meet regional needs in growing fields such as semiconductors in colleges of technology.

taking into account the needs of those who will enter the university, the promotion of learning transformation through the selection of university students across humanities and sciences and SSH⁶², and the transforming campuses into a co-creation hub through industry-academia-government collaboration. The growth and development of young people, who are the future of our country, through their study abroad is a key to social change. While emphasizing the perspective of promoting higher quality foreign student exchanges, the government will promptly take necessary measures⁶³ to strengthen the dispatch of Japanese students abroad⁶⁴ and acceptance of foreign students⁶⁵, to improve the environment for their active participation after graduation⁶⁶, and to promote the internationalization of education⁶⁷, with the aim of achieving a total of 500,000 Japanese students annually studying abroad by FY2033, including the expansion of mid- to long-term overseas assignments of Japanese students, annual acceptance cases of 400,000 foreign students, and a domestic employment rate⁶⁸ of 60% after graduation.

(5) Developing inbound strategies

In order to expand inbound tourism through the promotion of international people-to-people exchanges, in accordance with the Action Plan to Expand Inbound Tourism in a New Era⁶⁹, the government will deepen its efforts in a wide range of

⁶² SSH means Super Science High School.

⁶³ Based on the second proposal of Japan-Mobility and Internationalization: Re-engaging and Accelerating Initiative for future generations (J-MIRAI), which was approved by the Council for the Creation of a Future in Education on April 27, 2023.

⁶⁴ The government and private sectors will work together to implement structural and drastic measures to significantly expand overseas dispatching of students who are pursuing credits and degrees at overseas universities, and steadily expand benefit-type scholarships in line with the development and progress of the results of these measures, thereby enhancing economic support for both the public and private sectors, promoting exchanges and dispatches from the junior high and high school levels, including the development of Tobitate! (Leap for Tomorrow) Study Abroad Initiative through public-private collaboration and the use of the online system, promoting the overseas dispatching of college of technology students, and promoting English education and international understanding education from the elementary and secondary education levels, including the strengthening of teacher leaderships and the implementation of digitally enabled performance tests.

⁶⁵ This includes a review of the government-funded international student system with a sense of strategy in keeping with the times, such as prioritizing regions and fields, flexible tuition settings for international students and flexible management of student capacity consistent with the current system, improvement of the quality and attractiveness of campuses, etc., appropriate management of enrollment, and others.

⁶⁶ Revision of the resident status system for foreigners, facilitation of employment and retention in companies, etc.

⁶⁷ This includes establishing an environment in which universities are continuously engaged in thorough internationalization, establishing an accreditation system for universities leading internationalization, conducting research and studies to realize an international educational environment, facilitating inter-school connections for international schools, etc., promote the development of international secondary education institutions and support the school management of these institutions, and exporting Japanese-style education, including overseas branches of domestic universities and colleges of technology.

⁶⁸ Percentage of foreign students who graduated or completed higher education in Japan and found employment in Japan (excluding students who go on to higher education in Japan).

⁶⁹ Decision of the Ministerial Council on the Promotion of Japan as a Tourism-Oriented Nation on May 30, 2023.

fields, including business⁷⁰, education and research⁷¹, culture and the arts⁷² and sports, with the aim of restoring international exchanges and establishing international brain circulation in Japan, beyond traditional tourism.

(Reviving Japan as a sustainable tourism nation)

With the consumption of foreign visitors to Japan exceeding 1 trillion yen in the first quarter of this year, tourism is a pillar of our country's growth strategy and an ace in the hole for regional revitalization. Based on the new Tourism Nation Promotion Basic Plan⁷³, the government will work strategically to create sustainable tourism destinations, restore inbound tourism and increase domestic exchanges.

While working to refine our country's unique tourism and cultural resources, such as hot springs, inns, food, culture, and history, through collaboration, the government will develop initiatives across the country to create sustainable tourism destinations that create a virtuous cycle in local communities and economies, promote the revitalization and high added value of tourist attractions and the tourism industry, such as the renovation of accommodation facilities and comprehensive DX, by utilizing planned and continuous support measures over multiple years, and work to support business revitalization through public and private funds. In addition to supporting the establishment of management systems in tourist attractions⁷⁴, the government will promote tourism DX and GX⁷⁵, measures to address the shortage of human resources by improving treatment and utilizing foreign workers, and support for startups.

To achieve the spending of 5 trillion yen by foreign visitors to Japan as soon as possible, the government will strongly promote the following: support for the provision of special experiences such as adventure tourism, creation of new tourism content⁷⁶, nighttime utilization of cultural properties, etc., enhancement of the attractiveness of national parks and national gardens⁷⁷ and public facilities by private sector vitality, etc., promotion of medical tourism, intensive support for high-

⁷⁰ In terms of the number of international conferences held, we aim to be among the top five in the world by 2030 and increase the number of foreign participants in international exhibitions and fairs by 20% from pre-COVID 19 levels by 2025.

⁷¹ We aim to increase the number of international researchers by 20% from pre-COVID 19 levels by 2025.

⁷² We aim to increase Japan's share of sales amount in the global art market and break into the Global Seven by 2025.

⁷³ Cabinet Decision on March 31, 2023.

⁷⁴ Efforts will be made to prevent overcrowding, breach of manners and other problems associated with the increased acceptance of tourists.

⁷⁵ GX initiatives in the field of tourism, such as the use of renewable energy in tourism-related facilities and the promotion of the use of transportation with less impact on the environment.

⁷⁶ This includes cooperation in research and studies and information dissemination by related organizations for the maintenance and development of local traditional events and hot springs, as well as promotion of long-term stays and workations by developing content that is highly effective to invite tourists to local destinations.

⁷⁷ We will enhance the functions of Kitanomaru Garden and other public gardens to make them modern centers for disseminating culture and information, including science and technology.

value tourists, restoration of flight lines⁷⁸ and improvement of the receiving environment such as customs, immigration, quarantine (CIQ)⁷⁹, promotion of response to foreigners in traditional performing arts, etc., revival of cruises and cruise hub formation, improvement of access to tourist attractions, promotion of proper use of the consumption tax exemption system, strategic promotion, including the promotion of tourism diplomacy, early inscription of Japanese sake, shochu and awamori as etc. on the Representative List of the intangible cultural heritage of Humanity of UNESCO, invitation and holding of MICE, development of integrated resorts (IR)⁸⁰, and expansion of outbound tourism⁸¹ and international mutual exchanges.

The government and private sectors will work together to promote the workation and the creation of second hometowns, as well as promoting weekday trips in cooperation with tourism and transportation companies in order to expand domestic exchanges.

(Acceptance of highly skilled human resources)

In addition to promoting the use of a system of the status of residence (the Japan System for Special Highly-Skilled Professionals (J-Skip) and the Japan System for Future Creation Individual Visa(J-Find)) at a level comparable to that of any other in the world⁸², the government will promote the development of systems⁸³ to attract highly skilled foreign human resources, including taking necessary actions by identifying and examining issues, including tax and regulatory systems, in accordance with the Action Plan to Attract Foreign Human Resources and Funds. With regard to the addition of fields that will be covered by the specified skilled workers, the Ministry of Justice will implement proper study and discussion with the administrative organs in charge of each field based on the situation of labor

⁷⁸ This includes strengthening the management base of aviation and airport-related companies, including strengthening the ground handling and security screening systems at airports.

⁷⁹ This includes the facilitation of boarding procedures such as the promotion of FAST TRAVEL through the use of cutting-edge technologies such as smart lanes, and the implementation of strict immigration control and innovative and smooth immigration procedures through the introduction of the interactive Advance Passenger Information (iAPI) system.

⁸⁰ Strict casino regulations will be enforced in the development of IR.

⁸¹ We promote Japanese overseas travel through attractive campaigns by public-private partnerships, including the promotion of passport acquisition.

⁸² The Japan System for Special Highly-Skilled Professionals (J-Skip) is a program in which the government grants the permission of residence of "Highly Skilled Professional" to those with a certain level of academic background or professional career and annual salary thereby expanding preferential treatment. The Japan System for Future Creation Individual Visa(J-Find) is a program allowing graduates of outstanding overseas universities to seek employment in Japan for up to two years. Both programs were established in April this year.

⁸³ This includes, in order to attract international remote workers (so-called "digital nomads"), efforts will be made to grasp and review the related issues including systemic challenges such as visas and the status of residence, and a system will be established within this fiscal year, such as the establishment by the end of this year of a mechanism for state-approved venture capital firms, etc., to conduct confirmation procedures on start-up preparation activity plans on behalf of local governments, and consideration of extending the maximum period of stay.

shortages shown by them.

(Examination of the ideal form of the Technical Intern Training System and the Specified Skilled Worker System)

In reviewing the ideal form of Technical Intern Training Program (hereinafter referred to as “TITP”) and Specified Skilled Worker System(hereinafter referred to as “SSWS”), we need to stand the perspective in the following direction: aiming to realize a Society of Harmonious Coexistence in which Japanese people and foreign nationals respect each other and live safely and comfortably,, and foreign nationals can not only realize an easy-to-grasp new program but also work and play active roles in Japan, and prevent and correct human rights violations, etc., and Japanese companies, etc. to be chosen as attractive workplaces. In light of the above, based on the interim report of the Advisory Panel of Experts on Ideal Form of Technical Intern Training Program and Specified Skilled Worker System (herein after referred to as “Advisory Panel of Experts”)”, we should conduct discussions in the direction of abolishing the current TITP and establishing a new program aimed at securing and developing human resources. Also, we should conduct examinations from the direction of continuing to use the current system while reviewing the system and making necessary improvements and achieving a balance with the new program aimed at securing and developing human resources, in order to respond to the severe labor shortage. Moreover, based on the discussion on Advisory Panel of Experts, we will embodiment the program and system⁸⁴.

⁸⁴ In addition, the government will consider the following:

(1) Establishing a career-path that enables foreign nationals to continue grow and to play active roles over the mid- to long-term: From the perspective of realizing an easy-to-grasp new program and SSWS through which foreign nationals can work and play active roles in Japan while advancing their careers, trying to align the job categories of the new program with the industrial fields of SSWS so that the foreign nationals can smoothly move on from the new program to SSWS.

(2) How to decide the numbers of foreign nationals that can be excepted to be accepted: Under the new program and S S W S, increase transparency and predictability in checking the status of initiatives to improve productivity and secure domestic human resources, setting of the expected number of admission, and setting of industrial fields.

(3)How employer changes should be handled: Under the new program, while retaining to some degree the restrictions on employer changes specifically aimed at human resource development, enhance the rights of foreign nationals as workers because of the inclusion of securing human resources as a purpose of the program, and should ease the overall restrictions on employer changes in order to fulfill the purport of the new program and protect the target foreign nationals. As for how restrictions on employer changes should be designed, we will discuss the details from a comprehensive viewpoint such as the time required for human resource development at the accepting companies, etc., the costs borne by the accepting companies, etc. at the time when foreign nationals come to Japan and during the human resource development.

(4) How supervisory and support functions should be provided: While the functions of supervising organizations and registered support organizations are important, we should tighten the requirements so that we can ensure that only good organizations by strictly regulating or eliminating supervising organizations which are incapable of preventing and addressing human rights violations and improper working conditions at accepting companies, etc., and registered support organizations which are incapable of providing overall support for foreign nationals in order to ensure that only good organizations. These requirements also apply to the examination of new entities, etc., and incentives will be given to good organizations. The Organization for Technical Intern Training

will continue to be used by providing necessary resources according to its role. Further measures will be taken to prevent collection of excessive fees, to eradicate unscrupulous sending organizations, and to ensure appropriate operation of sending organizations, including strengthening international efforts for proper acceptance of foreign human resources.

(5) Efforts to enhance the Japanese language proficiency of foreign nationals: Establish measures to ensure that foreign nationals have the necessary Japanese language proficiency before starting work in Japan, and a system that can help them gradually enhance their Japanese language proficiency after arriving in Japan (including the accreditation of Japanese language institutions to be established based on the Act on the Accrediting of Japanese-Language Institutes to Ensure Appropriate and Reliable Implementation of Japanese-Language Education (Act No. 41 of 2023) and measures to utilize the qualifications of teachers of accredited Japanese language institutes).

(Set-up of an international financial center in Japan as a nation facilitating asset management)

Initiatives will be undertaken to unlock 2,000 trillion yen in household financial assets, improve the attractiveness of Japan's financial markets and develop the country as a global financial center. Efforts will be made to promote effective implementation of corporate governance reform to increase corporate value. In order to form a GX financial hub in Asia, the government will make efforts to collect corporate data, including CO₂ emissions, and to establish the Asia GX Consortium (tentative name), which will involve public and private sectors in ASEAN and elsewhere. In addition, it will support local governments, local companies and financial institutions to set up promotion councils to encourage local GX investments and loans. From the perspective of the globalization of financial administration and taxation, the government will strengthen the functions and structure of branch opening support offices and FinTech Support Desk, as well as understand various tax issues in order to become an international financial hub, and take necessary measures to review them, and will consider the ideal form of the regulations on firewall between banks and securities firms⁸⁵. In addition, with the aim of promoting Japan as a leading Asset Management Center, as part of fundamental reforms in the asset management sector, etc., the government will work to promote competition by revising Japan's unique business practices and barriers to entry and by enhancing support for new entrants. With regard to such series of initiatives, the government will effectively and strategically disseminate information by expanding public relations channels to major overseas media and holding promotional events both at home and abroad, including the launch of Japan Week (tentative name), which will focus on inviting overseas financial companies to Japan.

In addition, we will consider a legal system that allows companies to raise funds by collateralizing their entire business' asset, including intellectual property and intangible assets such as a company's know-how and customer base, and will aim to submit legislation for this system as soon as possible. The government will conduct an exhaustive review of financial services and procedures that are difficult for consumers to use and seek improvements in what is necessary from the perspective of improving convenience for consumers⁸⁶.

⁸⁵ Regulations prohibiting the sharing of customer information between a banking sector and a securities sector within the same financial group without customers' consent.

⁸⁶ Including a follow-up to fully digitize checks.

3. Drastic strengthening of measures to cope with the declining birthrate and child policy

(Promotion of Acceleration Plan for Child and Childrearing Support)

Without curbing the rapid decline in birthrate and population, it will be difficult to sustain Japan's economic and social systems, and this will have a great impact on our country's standing as the world's third-largest economy. Before we enter the 2030s, when the population of young people will decline sharply, this will be the critical juncture and last chance to reverse the situation. For this reason, the government will make every effort to improve the incomes of young people and those raising children. Under the new form of capitalism, the government will take the lead in achieving stable economic growth by promoting investment in people, including higher wages, and investment through new public-private partnerships. As measures to address the declining birthrate that are at a totally different level, the government will seek to strengthen radical policies based on the three basic principles of increasing the income of the younger generation, changing the structure and attitudes of society as a whole, and providing seamless support to all children and all households with children, in accordance with the "Policy on Future Strategy for Children".

The government will promote "Acceleration Plan for Child and Childrearing Support" (hereafter referred to as the "Acceleration Plan") without imposing a substantial additional burden on the public by strengthening the economic base and financial resource base through the growth of the economy and improvement in people's income, as well as by taking advantage of the effect of the reduction in public expenses and the reduction in the burden of social insurance that can be obtained through expenditure reform and other measures. For this, any alternative burden of tax, including the consumption tax, will not be imposed to secure the necessary financial resources.

Specifically, based on the "Policy on Future Strategy for Children", the government will work on, in the next three years, strengthening financial support for child rearing through life stages and initiatives to improve the income of the younger generation (expanding child allowances⁸⁷, reducing the economic burden of childbirth, etc., reducing the burden of medical expenses, etc., by supporting the efforts of local governments, reducing the burden of higher education expenses, such as enhancing the scholarship system, direct support for individuals' voluntary reskilling and upskilling, addressing the so-called annual income barrier, and strengthening housing support for families with children); expanding support for all children and all households with children (expanding seamless support from

⁸⁷ Eliminating the income limit for the eligibility of child allowance, extending the payment period up to high school age, and granting 30,000 yen after the 3rd child.

pregnancy⁸⁸, improving the quality of early childhood education and childcare, establishing a daycare system for all children⁸⁹ (tentative name), etc.)⁹⁰; promoting dual-career and co-parenting (promotion of taking paternity leave for men, promotion of flexible work styles throughout the child-rearing period, and support for balancing diverse work styles with child-rearing); and the awareness reform for creating a society friendly to children and child-rearing families,⁹¹ which makes the abovementioned policies effective, while proceeding with ensuring stable financial resources to support the “Acceleration Plan”.

For doubling the budget for children and child-rearing families, the government will further examine the content and budget of the policy while examining the effects of the “Acceleration Plan” and will aim to double, by the early 2030s, the relevant national budget or that per child in the budget of the Children and Families Agency. As for financial resources, the government will further examine the content of the policy and, depending on the content, will further discuss how society can support it⁹².

(Formulation of The General Principles for Child-Related Measures)

In order to realize “Society where children are at its very heart”, in which the best interests of children are always given a top priority, and initiatives and policies relating to children are placed at the center of the society, the government will, by the end of the year, formulate an outline for The General Principles for Child-Related Measures that will unitarily provide basic medium- to long-term policies and important matters for the next five years on a wide range of children's policies based on the Basic Act on Children Policy⁹³, and will strongly promote children's policies across the government while the Children and Families Agency functions as a new control tower to realize a “Society where children are at its very heart”.

With a view to all the circumstances surrounding children and youth, the

⁸⁸ Including the institutionalization of accompanying-style consultation support with the digitization of procedures, research on the provision of medical care for child health and development, including preconception care, and consultation support.

⁸⁹ New kindergarten attendance benefits that can be used flexibly on an hourly basis, regardless of whether parents work or not, within the available time frame up to a certain number of hours per month.

⁹⁰ In addition to expansion of seamless support from pregnancy, improvement of the quality of early childhood education and childcare, and the expansion of childcare for all families raising children, including the establishment of the daycare system for all children (tentative name), steady implementation of the new Comprehensive Plan for Children After School, and response to diverse support needs (enhancing the support base for social care, children with disabilities or special needs and children in medical care, and supporting the independence of single-parent families).

⁹¹ Establishment of priority guidance service and specialized lanes for children and child-rearing families, and the raising of awareness and cooperation among users of public transportation for expectant and nursing mothers and infants, including those to whom consideration should be paid.

⁹² In addition to the outline for doubling the budget for children and child-rearing families, specific measures will be taken based on the Policy on Future Strategy for Children regarding the Future Vision Targeted by the Child and Child-rearing Policies and the Promotion of PDCA.

⁹³ Act No. 77 of 2022.

government will guarantee the rights of children and youth and encourage their participation in the policy-making process of the national and local governments, promote reflection of their views, and support their healthy growth throughout society. To this end, the government will formulate the Basic Guidelines for the Development of Children up to Early Childhood (tentative name) and strongly promote efforts to guarantee the quality of the development of all children. In addition, with an eye to improving the staffing standards, it will work to strengthen the availability of childcare personnel and reduce the burden on the actual sites of childcare, as well as steadily implement the New Plan for Reassurance of Childcare, and it will promote the family support center business. The government will formulate the Guidelines on the Creation of a Place for Children (tentative name) and establish diverse systems for creating places for all children and connecting them with such place. In addition to enhancing prenatal and postpartum support, such as consultation support for those who have experienced miscarriage or stillbirth, development of postpartum care personnel, promotion of maternal and child health measures, including newborn mass screening, newborn hearing tests, infant health examinations, and child death review (CDR) for prevention, the government will make efforts to introduce a system to verify the history of sexual crimes, etc., of employees engaged in child-related work (the Japanese version of DBS) and to create an environment in which children can grow up safely and securely. In order to strongly promote initiatives undertaken by local governments, including support for marriage for those who wish to marry (such as accompanying-style matching support) and support for pregnancy and childbirth, the government will expand initiatives under grants for priority promotion of measures for declining birthrate in the regions, as well as support businesses that provide life plan training.

The government will promote the creation of a comprehensive support system for children and families to ensure that no one is left behind and that support is delivered to everyone. To this end, the government will work to promote the establishment of child and family centers, enhance home-visit household support, ensure the principle of priority on family care, including support for foster parents, enhance self-reliance support for those who have experience in social care, improve the environment of temporary shelters, promote the acquisition of qualifications for child and family social workers, smoothly implement the revised Child Welfare Act⁹⁴ to strengthen measures to prevent child abuse and promote social care, strengthen the quality and quantity systems of child guidance centers, improve the environment of foster homes, etc., as well as enhance efforts to prevent child suicides, promote measures to prevent bullying, and support young pregnant

⁹⁴ Act for Partial Revision of the Child Welfare Act, etc. (Act No. 66 of 2022).

women. In addition, the government will promote support for single parents, including support for employment and secure payment of child support, and the promotion of safe and secure visitation or other contact between the parent and the child, as well as support for children's cafeterias, food delivery for children, food banks, and other programs to eliminate child poverty and strengthen supervision, and promote Shokuiku (meaning food and nutrition education). Efforts will be made to promote the spread of children's hospices throughout the nation, and the government will strengthen the support base for children with diverse needs by developing support systems for all children with disabilities, including children with developmental disabilities, children with severe behavioral disorders, and children in medical care, through collaboration among families, education, medical care, health, and welfare, and will promote the Children's Policy DX⁹⁵.

In order to drastically strengthen child and child-rearing policies, it is necessary to move beyond a vertical administrative structure and link various measures with child policies. For this, the government will strongly promote the revival of high-quality public education in the era of a low birthrate and will study the challenges regarding free school meals. In addition, the government will promote the Children-centered Community Development, which encourages people to move to rural areas where it is easier to raise children from the standpoint of housing and the surrounding environment, and will strongly promote the development of momentum in areas such as public transportation, tourism and public infrastructure, including the development of a system for moving around easily.

4. Creation of an inclusive society

(Women's Empowerment)

Based on "The Basic Policy on Gender Equality and Empowerment of Women 2023"⁹⁶, in order to contribute to the solution of the L-shaped curve towards realizing a virtuous cycle of women's empowerment and economic growth, the government will accelerate the appointment of female talent by setting numerical targets for the ratio of female executives at companies listed on the Prime Market⁹⁷ and introducing a system to ensure their achievement, as well as develop and support female entrepreneurs, promote the dissemination of the diversified regular employees, correct the long working-hour practices, promote diverse and flexible work styles such as support for work-life balance based on investor evaluations,

⁹⁵ Including the digitization of the Maternal and Child Health Handbook.

⁹⁶ The Intensive Policy for Gender Equality and the Empowerment of Woman 2023 (Decided by the Headquarters for Creating a Society in which All Women Shine and the Headquarters for the Promotion of Gender Equality on June 13, 2023).

⁹⁷ Each company listed on the Prime Market shall strive to appoint at least one female executive by 2025 and aim to raise the ratio of female executive 30% or more by 2030.

encourage male employees to take a childcare leave and promote the use of babysitting and housework support services to balance work and family, consider further disclosure of the gender pay gaps, discuss social security and tax systems from women's perspectives, regularize non-regular employees and improve their treatment, develop digital human resources for women⁹⁸, promote initiatives that respond to local needs⁹⁹, and support single-parent families with assisting employment and secure payment of child payments. In this way, initiatives to increase women's income and achieve their economic empowerment will be strengthened. In order to increase the proportion of women among university/colleges of technology students and academic staffs in the science and engineering fields, including the IT field, the government will accelerate regionally-integrated initiatives through industry-academia-government collaboration, such as encouraging the learning of female junior high and high school students in those fields and their selections of those fields, as well as strengthen initiatives to promote female researchers to higher positions in universities. The government will realize a society in which women can live with dignity and pride through measures against domestic violence, measures against sexual crimes and sexual violence¹⁰⁰, smooth enforcement of the Act on Support for Women Facing Difficulties¹⁰¹, enhancement of employer medical checkups, support for women's health, including the active use of femtech and building a National Center function, and WPS¹⁰², etc.

(Building an inclusive and cooperative society)

The government will promote the creation of an inclusive and cooperative society in which people are connected to each other, everyone has a purpose in life and a role to play, and everyone can help each other¹⁰³. To this end, the government will expand the number of municipalities implementing the multi-tiered support system development projects, and will also consider strengthening the independence support system for the needy and the public assistance system, including

⁹⁸ Including the implementation of the Digital Human Resources Development Plan for Women (approved by the Council for Gender Equality on April 26, 2022).

⁹⁹ To aim to submit a relevant bill to the 2024 ordinary session of the Diet that allows the National Women's Education Center to strengthen its function of supporting local gender equality centers.

¹⁰⁰ Including measures based on the Act on Prevention of Sexual Violence against Children and Students by Educational Personnel, etc., (Act No. 57 of 2021) and the revised Child Welfare Act.

¹⁰¹ Act No. 52 of 2022.¹⁰² Abbreviation for Women, Peace and Security. On October 31, 2000, the United Nations Security Council unanimously adopted Resolution 1325 (S/RES/1325 (2000)) on women, peace and security, which positions women as "active agents" at all levels of international conflict prevention and conflict resolution, peace-building and peacekeeping.

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¹⁰³ Including efforts to respect life through welfare and management of animals and to preserve human life and the body.

employment, household improvement and housing support. In addition to promoting universal design community development and mental barrier-free initiatives¹⁰⁴, the government will strengthen housing support, such as the independence support system for the needy and the housing safety net system, and consider necessary institutional responses based on the needs of those who need housing support, including comprehensive living support after moving in. The government will engage in support for people with dementia and their families, support for the community life of people with disabilities, promotion of lifelong learning, support for employment, support for information and communication, strengthening of support for women with difficult problems through the establishment of a support system for public-private collaboration, etc., promotion of the use of worker cooperatives, comprehensive protection of their rights, including the adult guardianship system, elimination of cases of people not having a family register, promotion of correct understanding of sexual minorities and the creation of an environment where society as a whole accepts diversity. In order to achieve a society that coexists with foreigners, based on the Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals, etc.¹⁰⁵, the government will, in addition to integrating Individual Number Cards (“My Number Card”) and residence cards, take initiatives through collaboration among relevant ministries and agencies, to significantly strengthen and expand the system for promoting Japanese language education¹⁰⁶ necessary to ensure the operation of the Act on the Accrediting of Japanese-Language Institutes¹⁰⁷, which is the basis for accepting and coexisting with foreign nationals, as one of new important issues for the government, to establish system for Japanese language education in the regional areas, and to encourage foreign students to attend school.

In addition, we will implement to resolve the issues of long-term detention and deportation evasion under The amendment Act of immigration control and refugee recognition Act¹⁰⁸, and appropriate assistance will be provided to those who should be protected in the same manner as refugees.

¹⁰⁴ Promotion of proper use of facilities for the elderly and disabled, etc., as well as improvement of treatment by transportation operators.

¹⁰⁵ Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals (FY2023 revised) (Decision of the Ministerial Conference on Acceptance and Coexistence of Foreign Nationals on June 9, 2023) and the Roadmap for the Realization of a Society of Harmonious Coexistence with Foreign Nationals (FY2023 partly changed) (Decision of the same Conference on June 9, 2023).

¹⁰⁶ For the steady implementation of the Act on the Accrediting of Japanese-Language Institutes, this includes the expansion of a sufficient system of specialized departments for the improvement of the environment for Japanese language education in light of the increase in the number of foreign residents, and the strengthening of the system necessary for the integrated operation of relevant functions of the MOJ and the MEXT.

¹⁰⁷ Act on the Accrediting of Japanese-Language Institutes to Ensure Appropriate and Reliable Implementation of Japanese-Language Education.

¹⁰⁸ The Act for Partial Revision of the Immigration Control and Refugee Recognition Act and the Special Act on the Immigration Control of, Inter Alia, Those Who Have Lost Japanese Nationality Pursuant to the Treaty of Peace with Japan (Act No. 56 of 2023).

Support for private entities in public roles, such as promoting endowments and venture philanthropy¹⁰⁹, will be strengthened to develop the social sector. In order to reform the public interest incorporated association and foundation system, the government will submit relevant bills¹¹⁰ to the 2024 ordinary session of the Diet and develop the necessary environment, including the system. In line with the Policy for a Five-Year Review of the Dormant Deposit Utilization Act^{111 112}, including the enhancement of accompanying-style support, the government will make efforts to smoothly implement the Act and promote more flexible use of dormant deposits in response to changing socioeconomic conditions. The government will promote the development of an environment for promoting the activities of NPOs, including the promotion of the online application of various administrative functions based on the NPO Act¹¹³, and promote collaboration between the public and private sectors, such as by utilizing the public-private partnership platform for the SDGs for Regional Revitalization.

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

In the second stage over the next two years from this fiscal year, the government will steadily implement enhanced measures based on the results of the support it has provided so far, and, while also supporting the efforts of local governments, provide seamless support from consultation, education and training to employment and retention, as well as courteous support tailored to individual circumstances. At the same time, in addition to promoting the recruitment of employees in government bodies¹¹⁴, the government will also promote the recruitment program in independent administrative agencies, which started in the second stage. In addition, while ascertaining the reality of the employment ice age generation, the government will review measures based on the comprehensive examination of the first stage in order to provide more effective support.

(Measures against loneliness and isolation)

The government will strengthen national and local measures against loneliness and isolation based on the Act on Promotion of Policy for Loneliness and

¹⁰⁹ A method of support aimed at maximizing social impact by providing medium- to long-term funding and management support to non-profit organizations and social enterprises using methods such as venture capital.

¹¹⁰ Based on the Final Report of the Advisory Council on the New Era Public Interest Corporation System (June 2, 2023).

¹¹¹ Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector (Act No. 101 of 2016).

¹¹² This is based on the Policy for a Five-Year Review of the Dormant Deposit Utilization Act (Cabinet Office, December 16, 2022).

¹¹³ Act on Promotion of Specified Non-profit Activities (Act No. 7 of 1998).

¹¹⁴ In addition to working on recruitment in the national public service, the national government will be calling for active recruitment in the local public service.

Isolation¹¹⁵. In particular, the government will promote the development of a stable and continuous implementation system, such as the Headquarters for Promotion of Measures for Loneliness and Isolation, as well as the development of public-private coordination and collaboration at the national level and the local level and an improvement of environment for full-scale implementation of one-stop consultation support system. In addition, efforts will be made to create an environment in which it is easy to ask for and offer help , such as the intensive implementation of awareness raising activities on loneliness and isolation, the establishment of a system for training supporters, and the promotion of welfare and children's committee activities, and to embody new support for activities related to measures against loneliness and isolation of NPOs, etc., such as continuous support by promoting the spread of multi-year contracts and support for supporters. Based on the results of the fact-finding surveys etc., all ministries and agencies will promote measures to combat loneliness and isolation. The government will steadily promote measures in its the Priority Plan¹¹⁶ with the perspectives of measures for loneliness and isolation, such as creation of diverse places where people can establish loose connections in various areas of daily life, outreach approaches, use of social prescriptions, support to those who have withdrawn from society, and comprehensive suicide countermeasures based on the new General Principles¹¹⁷.

5. Revitalization of local communities and small businesses

(Vision for a Digital Garden City Nation and Realization of "National Land Combining the potentials of the regions in the New Era")

Aiming to create a society in which everyone can live conveniently and comfortably anywhere in the country, the government will accelerate traditional initiatives for regional revitalization by using the power of digital based on the Basic Policy¹¹⁸. At the same time, in order to realize a National Land Combining the potentials of the regions in the New Era, based on a new National Spatial Strategy to be formulated this summer, the government will promote the formation of regional living areas that combine the digital and the real¹¹⁹, strengthen networks through transportation and digital, and develop the Vision for a Digital Garden City Nation for national land formation. In order to rectify the monopolistic concentration in Tokyo, the government will promote the creation of a decentralized nation that is

¹¹⁵ Act No. 45 of 2023. Will be enforced on April 1, 2024.

¹¹⁶ Priority Plan for Measures against Loneliness and Isolation (approved by the Council for the Promotion of Measures for Loneliness and Isolation on December 26, 2022).

¹¹⁷ The General Principles of Suicide Prevention Policy (Cabinet Decision on October 14, 2022).

¹¹⁸ the Basic Policy on the Vision for a Digital Garden City Nation (Cabinet Decision on December 23, 2022).

¹¹⁹ This means an area where the services necessary for daily life are sustainably provided by partnerships between the public and private sectors and the thorough use of digital technology, regardless of the municipal community, in accordance with the realities of daily life and the economy in rural areas where the population is declining at an accelerated rate, so that people can continue to live with peace of mind.

mutually beneficial to the regions and Tokyo, in collaboration with the efforts of regional revitalization.

Towards the realization of a regional vision that takes advantage of the individuality and appeal of the region, the government will make concerted efforts to follow up and enhance measures in key policy areas, such as inter-measure and inter-regional collaboration and traffic revitalization, in relation to model regional visions such as Smart City and Super City and "digitalized" hilly and mountainous areas,¹²⁰etc.¹²¹, and will provide unified support to public-private initiatives. The government will deepen efforts related to priority issues¹²², such as effective and efficient lateral deployment of service systems to support good practices and the building of momentum by Digiden Koshien¹²³, and revise its comprehensive strategy by the end of the year.

In addition to promoting eVTOLs (electric Vertical Take-Off and Landing) the government will formulate the Digital Lifeline Comprehensive National Development Plan by the end of this fiscal year for the implementation and facilitation of drones, automated driving, etc., and in FY2024, the government will begin setting up drone routes and automated driving support roads¹²⁴ to realize their implementation in the trial regions. The government will also promote the development of 5G, optical fiber, and other digital infrastructure, which is a prerequisite for digital implementation, in every corner of the country, as well as the development of digital human resources¹²⁵. Based on the revised development plan¹²⁶, the government will develop a communication environment for all schools within this school year that will contribute to the GIGA School Program, develop non-terrestrial networks, establish local data center locations and submarine cables, and conduct research and development on Beyond 5G.

Initiatives to ensure that no one is left behind will be promoted, such as enhancing the consultation system for Digital Supporters.

(Building a land with a seamless connection of hubs and re-designing of

¹²⁰ This means a hilly or mountainous region that utilizes its local resources and digital technology in order to revitalize the area by linking various fields, including education and culture, medical care and welfare, and logistics, with agriculture, forestry and fisheries as the core.

¹²¹ Includes Digital Garden Health Special Zone.

¹²² Priority issues for the time being (Decision of the Council for the Realization of the Vision for a Digital Garden City Nation on June 16, 2023).

¹²³ A scheme to widely invite local digital implementation efforts for the realization of the Digital Garden City Nation and to award outstanding examples.

¹²⁴ Including support for automated driving by a road vehicle coordination system for distribution trucks on highways.

¹²⁵ The government aims to develop a total of 2.3 million digital promotion personnel between FY2022 and 2026 (Comprehensive Strategy).

¹²⁶ Digital Garden City Nation Infrastructure Development Plan (formulated by the MIC on March 29, 2022, and revised by the MIC on April 25, 2023).

transportation)

The government will aim to build a land with a seamless connection of hubs by diversifying the population and functions over a wide area of the nation and strengthening connectivity to deepen and develop the Compact Plus Network initiatives.

Toward the formation of regional living areas, the government will promote the revitalization and enhancement of competitiveness of local cities, including central urban areas, the development¹²⁷ and upgrading¹²⁸ of people-centered, compact, multigenerational exchange communities through the utilization of parks, barrier-free public transportation facilities, traffic safety measures such as school routes, the enhancement of the functions of roadside stations (Michinoeki), and improvement of the environment for bicycles, while accelerating strategic infrastructure maintenance efforts. With regard to regional public transportation, the government will mobilize all possible policy tools, including the smooth implementation of the revised Act¹²⁹, and strengthen the national enforcement system. The government will accelerate "re-design" initiatives such as MaaS (Transportation DX and GX), strengthen cooperation in regional management, restructure local railways¹³⁰, and revitalize local route buses. At the same time, it will realize transportation for a prosperous life through upgrading the functions and services of the trunk railway network according to the actual situation of the region, which will contribute to the realization of the Digital Garden City Nation Initiative, and improving the systems and operations related to taxis and private paid passenger transportation, which are the last mile means of transportation.

In order to encourage the self-reliant development of a wide area centered on core cities, etc., and strengthen the interaction and collaboration through the formation of the nation-wide corridor networks, and international competitiveness, the government will work on the early development and utilization of logistics and people-flow networks such as high-standard roads, new shinkansen lines, Linear Chuo Shinkansen, and ports, the maintenance and activation of aviation networks, the strengthening of modal connections¹³¹, and the strengthening of

¹²⁷ It is promoted through improving the location by inducing people to live and function in the city, improving the quality of the urban environment through urban disaster prevention measures, and creating a community where people feel comfortable and like to walk.

¹²⁸ With the aim of improving the efficiency of urban development and maintenance, upgrading regional policies, and creating new industries, the government will promote the development of new services in a wide range of fields through the efforts for architectural/urban DX employing architectural BIM and PLATEAU, etc., strategic real estate IDs, etc., based on the study results of the Council for the Advancement of Utilizing Geospatial Information on the Development and Use of Real Estate Based Registries.

¹²⁹ Act for Partial Revision of the Act on Revitalization and Rehabilitation of Local Public Transportation Systems (Act No. 18 of 2023).

¹³⁰ Cooperation and collaboration between local governments and railway operators, including the separation of upper (operation) and lower (infrastructure) functions.

¹³¹ Including enhancement of airport functions.

competitiveness in the shipbuilding and shipping industries¹³². And it will also conduct research and studies on the future direction in accordance with the actual situation of the area, such as upgrading the basic planned routes and trunk railway networks. In addition, the Japan Central Corridor will be formed to connect the three major metropolitan areas by means of the Linear Chuo Shinkansen, etc., to promote regional revitalization and the strengthening of international competitiveness. Regarding the Linear Chuo Shinkansen, the government will coordinate efforts to resolve issues related to water resources and environmental conservation¹³³, promote early installation between Shinagawa and Nagoya, and conduct research and analysis on the improvement of convenience in the Tokai area and the effect on the region given by the transport capacity of the Tokaido Shinkansen when it opens. In order to accelerate the opening of the entire line¹³⁴, the government will provide necessary guidance and support, in cooperation with local governments along the line, so that construction entities can start environmental impact assessments between Nagoya and Osaka this year.

It will also work on safety measures across modes in the transportation sector, as well as securing and developing human resources.

(Community development leveraging individuality and expansion of related population)

With the aim of creating a region that takes advantage of its individuality, the government will promote the development of Okinawa and Hokkaido, and take measures to address areas where conditions are unfavorable, such as depopulated areas, Amami, Ogasawara, peninsulas, remote islands and areas with heavy snowfall, etc. In order for Okinawa to achieve a strong Okinawa economy and become a driving force for Japan's economic growth, the government will comprehensively and actively proceed with measures to promote Okinawa, including the promotion of various industries such as tourism, the promotion of northern and remote island regions, the use of former military bases, including the development of health and medical centers in Okinawa¹³⁵, measures against child poverty, the introduction of clean energy, support for startups¹³⁶, and human

¹³² Including the maintenance and revitalization of airline routes.

¹³³ A panel of experts established by the MLIT has issued an interim report on the impact of the Oi River on water resources in 2021, and is currently discussing conservation of the environment, including the ecosystem, from a scientific and objective perspective.

¹³⁴ For the Linear Chuo Shinkansen, the government provided long-term, fixed and low-interest loans of 3 trillion yen for two years in 2016 and 2017, using the fiscal investment and loan program, in order to move up the plan for fully opening between Tokyo and Osaka by up to eight years (2037 at the earliest) from the initial target of 2045.

¹³⁵ It is expected to be completed by the end of FY2024.

¹³⁶ Establishing a base for creating new startups at the Okinawa Institute of Science and Technology Graduate University (OIST).

resource development¹³⁷ as a national strategy. For Hokkaido, by the end of the fiscal year, the government will draw up the new Hokkaido Comprehensive Development Plan to promote the development of Hokkaido including the realization of Zero Carbon Hokkaido that will also serve as an energy supply base for the country, the maintenance and development of Production Space that will support food and tourism, the promotion for agglomeration of digital industries, and the promotion of the Region neighboring the Northern Territories. Efforts will also be made to promote culture and create a society in which the pride of the Ainu people is respected based on Upopoy National Ainu Museum and Park.

In order to create a flow of human resources, the government will strengthen support for the migration of young people to rural areas, and encourage companies to relocate to rural areas by utilizing the tax system for strengthening regional offices while promoting collaboration between local communities and businesses. Also, the government will, for the creation and expansion of the population with strong relationship to rural areas and promotion of diverse lifestyles such as migration without changing jobs and bi- and multi-regional residence through the use of telework, promote the development of satellite offices and other facilities, as well as encourage the return of human resources to local communities through the enhancement of human resources support to local governments such as the Local Vitalization Cooperator and matching support to local businesses. To improve the earning power of the region, through industry-academia-government-finance collaboration, the government will promote the establishment of community-based enterprises¹³⁸ that will play a role in the regional economic cycle.

(Innovation in logistics)

In order to solve the 2024 problem in logistics, which is feared to have an impact on logistic industries due to the imposition of the upper limit on overtime work on drivers starting in FY2024, and to realize sustainable logistics, the government will, based on the Policy Package for Logistic Innovation¹³⁹, promote the improvement of logistics productivity and other measures in an integrated manner by taking drastic and comprehensive measures such as strengthening the functions of logistics bases and networks, such as roads, ports, cargo railroads and warehouses, including their ability to respond to disasters, improving logistics efficiency through

¹³⁷ This includes the development of human resources who will drive industrial growth and who have foreign language skills through interaction with foreign families in the prefecture.

¹³⁸ The Local Startup Support System was established in FY2023.

¹³⁹ Decision of the Ministerial Conference on Logistics Innovation in Japan on June 2, 2023.

logistics GX¹⁴⁰, such as modal shifts, logistics DX¹⁴¹ and standardization¹⁴², introducing regulatory measures to reduce the burden of logistics among shippers and logistics operators, reviewing business practices by improving the effectiveness of the request and recommendation system for shippers¹⁴³ based on the Truck Act¹⁴⁴, and introducing a mechanism to encourage behavior change among shippers and consumers, including the reduction of redeliveries. To this end, the government will develop a framework for continuing efforts over the medium to long term, such as regulatory measures for shippers, including legislation in the next ordinary Diet session.

(Enhancing the vitality of mid-sized companies and small and medium enterprises)

By improving the vitality of mid-sized companies and the small and medium-sized enterprises that support the local economy, the government aims to create quality jobs and boost the economy. To this end, the government will provide intensive support through the budget and tax system to promote mid-sized companies with growth potential and small and medium-sized enterprises with ambition to grow into mid-sized companies, such as those with sales of more than 10 billion yen. Specifically, it will work on M&A, acquisition of foreign demand, support for innovation, and establishment of an accompanying-style support system. In addition, while supporting responses to changes in the business environment, such as GX, DX and labor shortages, the government will support continuous business restructuring¹⁴⁵ and productivity improvement of small and medium-sized enterprises, support smooth business succession, and support 10,000 new export challengers¹⁴⁶. At the same time, it will work to create and promote investment in small and medium-sized companies (such as so-called zebra companies) that will attract impact investment and other factors by becoming a key player in solving local social issues, to develop industrial infrastructure such as industrial water that will encourage the establishment of new businesses in the region, and to promote growth through investment in human capital by mid-sized companies that drive the local economy.

In order to increase the added value to the supply chain as a result of these

¹⁴⁰ Introduction of vehicles and ships that contribute to energy conservation, distribution facilities employing energy conservation and decarbonization, Carbon Neutral Ports, etc.

¹⁴¹ Automated driving, drone logistics, berth reservation systems, vehicle-cargo matching, automated warehouses, AI terminals, Cyber Port, etc.

¹⁴² Including adjustments to increase the current speed limits of trucks on expressways.

¹⁴³ This includes strengthening the monitoring system for the establishment of Track G-Men (tentative name).

¹⁴⁴ Motor Truck Transportation Business Act (Act No. 83 of 1989). The 2023 revision extended the deadline for the request and recommendation system for shippers.

¹⁴⁵ It will also support the transformation of the industrial structure of publishing and book and magazine retailing, etc.

¹⁴⁶ Support Program for 10,000 New Exporters (launched on December 16, 2022).

activities and to promote appropriate distribution of such value, the government will promote the Declaration of Partnership Building, and promote the rationalization of transactions ¹⁴⁷by conducting special investigations on the abuse of a superior bargaining position, conducting on-site investigations of five priority industries, and aiming to pass on the full amount of appropriate cost increases in raw materials and energy costs. It will also compile guidelines on how to pass on labor costs after conducting a fact-finding survey, and will support the smooth introduction of the invoice system and cybersecurity measures.

In addition, the government will strengthen support for improving profitability, business revitalization, and re-challenging of small and medium-sized enterprises (SMEs), whose debts have increased owing to the impact of COVID-19. Specifically, the government will take a comprehensive approach to strengthening management support by public and private financial institutions and credit guarantee associations, providing financing support such as deferment of repayment, strengthening the capital base through the use of capital subordinated loans, and debt restructuring, including debt reduction and forgiveness. Focused support will be given to revitalizing local transportation, tourism, and lodging businesses. In addition, the government will promote financing practices that do not rely on management guarantees in order to create an environment that encourages early business revitalization.

It will also work to educate independent business owners who launch a new business, including freelancers, on management and financial strategies.

(Promotion of culture and the arts and sports)

The government will strengthen the activity base and accelerate sustainable development through a virtuous cycle of culture and the arts and the economy, and will realize a nation built on culture and the arts with a rich heart, diversity and vitality¹⁴⁸. To this end, the government will promote the exploration, refinement and strengthening of the appeal of traditional and contemporary cultural and artistic resources and content, both tangible and intangible, in fields such as our country's proud soft power and Japanese Heritage, the contribution of international cultural exchange to peace, bonding and security through it, the strengthening of related publicity in Japan and abroad, the development of the Cool Japan strategy¹⁴⁹, and the utilization of cultural DX¹⁵⁰, including private funds and the reform of the

¹⁴⁷ It also includes follow-up on the abolition of the use of promissory notes.

¹⁴⁸ Based on the 2nd Basic Plan on the Promotion of Culture and the Arts (Cabinet Decision on March 24, 2023).

¹⁴⁹ Based on the Intellectual Property Strategic Program 2023 (approved by the Intellectual Property Strategy Headquarters on June 9, 2023).

¹⁵⁰ Including promotion of cultural and artistic activities using digital technology.

copyright system. On the occasion of the relocation of the Agency for Cultural Affairs to Kyoto, the government will promote the nationwide expansion of Japan Expo 2.0, the creation of new values through food culture, architectural culture, lifestyle culture, writing and print culture, including books, cultural tourism, etc., as well as the enhancement of the preservation and utilization of cultural assets supported by society as a whole and the promotion of public-private partnerships, etc.¹⁵¹, with a view to strengthening regional development through cultural arts and the global expansion of cultural arts. Efforts will be made to enhance cultural and artistic education for children and the disabled, as well as viewing and experiencing opportunities, including comprehensive support for activities through umbrella organizations at local performances of performing arts¹⁵². The government will enhance the functions of national cultural institutions, such as the New National Theatre, Tokyo, which will serve as international bases, as well as museums and art galleries, including global expansion, revitalizing the art market, promoting the idea of a national center for media and art, and fostering top artists and those in charge of traditional performing arts to grow and industrialize the arts¹⁵³, and will promote support for creators in a broad sense with an eye on the growth of the global content industry. The government will promote strengthening the functions of the National Archives of Japan¹⁵⁴.

The government will realize a vibrant, close-knit society¹⁵⁵ in which everyone, regardless of disability, can casually relate to sports and realize their value. To this end, it will promote comprehensive improvement of the community sports environment in accordance with the actual conditions of the area¹⁵⁶. The government will work to accelerate the virtuous cycle of sports promotion and regional revitalization, and to promote the growth and industrialization of sports. In doing so, the government will promote the development of sports and health towns across the country that incorporate martial arts, sports tourism and typical Japanese sports hospitality¹⁵⁷, utilize private funds, promote sports DX¹⁵⁸, and develop

¹⁵¹ This includes the enhancement of the Takumi Project for cultural property, such as the development of the National Cultural Property Repair Center, the stable repair and utilization of castles, which are the pride of the region, and the local development of the collection of The Museum of the Imperial Collections, Sannomaru Shozokan.

¹⁵² Including support for theaters, music halls, etc.

¹⁵³ Including promotion of culture-related industries such as attracting film productions to locations and e-sports (a name used to describe a match involving a computer or video game as a sporting event).

¹⁵⁴ Including promotion of digital archiving of official documents and materials held by the National Archives of Japan, museums and art galleries, etc.

¹⁵⁵ Considering the 25th Summer Deaflympics in 2025 as an opportunity for this purpose.

¹⁵⁶ Establishing a system to promote community sports, ensuring the quantity and quality of instructors, establishing a system to ensure safety, and making effective use of school physical education facilities, etc.

¹⁵⁷ It is one of the legacies created through the Tokyo Olympic and Paralympic Games, and it means the overall efforts and actions that enable people engaged in doing, seeing and supporting sports to enjoy it better than ever before by being present there.

¹⁵⁸ Including promoting virtual sports and improving the conditioning environment with advanced technology.

leaders and activity groups. In addition, efforts will be made to improve sustainable international competitiveness and strengthen the governance of the sports world.

Chapter 3 Responding to Changing Environment Surrounding Japan

1. Responding to changes in the international environment

(1) Strengthening diplomacy and security

At a turning point in history when the international order faces serious challenges, such as Russia's aggression against Ukraine, Japan will actively engage in diplomacy to uphold a free and open international order based on the rule of law, building on the outcomes of the G7 Hiroshima Summit¹⁵⁹. The G7 will band together to address global issues such as food and health, strengthen its engagement in the so-called Global South, and promote sanctions against Russia as well as strongly supporting Ukraine and neighboring countries¹⁶⁰. To achieve a world without nuclear weapons, Japan will lead international efforts for disarmament and non-proliferation, including nuclear weapons, through the steady implementation of the Hiroshima Action Plan.¹⁶¹ To achieve the Free and Open Indo-Pacific, Japan will build on the Japan- U.S Alliance and work together with countries and regions, including the United States, Australia, India and the Republic of Korea (ROK). In particular, Japan will utilize the Commemorative Summit for the 50th Year of ASEAN-Japan Friendship and Cooperation¹⁶² Japan will set out a vision for the future and wide range of cooperation¹⁶³ with ASEAN, which has been at the center of our country's Asian diplomacy and has built a relationship of mutual trust through many years of contributions, in order to deepen comprehensive and strategic relationships. Japan will also strengthen ties with Pacific Island countries through the Pacific Islands Leaders Meeting (PALM).

Based on the Development Cooperation Charter¹⁶⁴, Japan will expand ODA in various ways and make necessary efforts to enhance the foundation of implementation, in view of the effective, strategic and appropriate implementation of development cooperation¹⁶⁵. Japan will strategically promote and strengthen OSA¹⁶⁶. We will work on issues such as strengthening the functions of the United

¹⁵⁹ The G7 Hiroshima Summit Communique issued on May 20 of this year clearly stated, "We reaffirm the importance of peace and stability across the Taiwan Strait as indispensable to security and prosperity in the international community. There is no change in the basic position of the G7 members' on Taiwan, including stated one China policies. We call for a peaceful resolution of cross-strait issues."

¹⁶⁰ In the preparatory meeting for the promotion of economic reconstruction in Ukraine, the government and private sectors considered measures to support the reconstruction of Ukraine which are unique to Japan.

¹⁶¹ Announced by Prime Minister Kishida at the 10th NPT Review Conference in August 2022.

¹⁶² In mid-December of this year, the Commemorative Summit will be held in Tokyo to mark the 50th year of ASEAN-Japan Friendship and Cooperation.

¹⁶³ Includes efforts such as people-to-people exchanges and cultural and intellectual exchanges.

¹⁶⁴ Cabinet Decision on June 9, 2023.

¹⁶⁵ Includes cooperation in human resource development by JICA.

¹⁶⁶ OSA (Official Security Assistance): To improve like-minded countries' security capabilities and deterrence, OSA provides equipment and materials and develops infrastructure.

Nations, including Security Council reform, increasing the number of Japanese staff in international organizations, resolving disputes based on international law including through international judicial proceedings, human rights, WPS, human security, expanding the circle of people with a great affinity toward or knowledge of Japan, and public diplomacy on territory and sovereignty. Japan will seek to normalize its relations with North Korea through comprehensively resolving the outstanding issues of concern, such as the abductions¹⁶⁷, nuclear and missile issues, and settling our unfortunate past in accordance with the Japan-DPRK Pyongyang Declaration.

While streamlining and improving efficiency, the government will fundamentally strengthen the foreign and consular policy implementation structure and strive to reinforce diplomatic capabilities. As part of such efforts, we will strengthen personnel systems that form the basis of diplomacy and develop financial bases¹⁶⁸, enhance the resilience of diplomatic missions, including the system to protect Japanese nationals in emergencies, improve consular services, and enhance digitalization and information protection.

In response to the most severe and complex security environment since the end of World War II, Japan will fundamentally reinforce defense capabilities over the next five years through fiscal 2027, based on the National Security Strategy and other documents¹⁶⁹. In doing so, the government will emphasize the following seven pillars: Stand-off Defense Capabilities, Integrated Air and Missile Defense capabilities, Unmanned Defense Capabilities, Cross-domain Operation Capabilities, Command and Control and Intelligence-related Functions, Mobile Deployment Capabilities and Civil Protection, and Sustainability and Resiliency. In order to maximize effective use of the current defense equipment, the government will accelerate investments in improving mobility, securing ammunition and fuel, and fortifying key defense facilities, while also reinforcing future core capabilities.

Japan will reinforce joint deterrence and response capabilities of the Japan-U.S. Alliance, while also reinforcing collaboration with like-minded countries and others.

The government will maintain and reinforce defense production and technology bases in Japan to ensure stable procurement of equipment. Japan will build a powerful and sustainable defense industry, address various risks, and promote the transfer of defense equipment and technology by steadily enforcing the Act on Enhancing Defense Production and Technology bases¹⁷⁰. The government will also

¹⁶⁷ In his policy speech to the 211th session of the Diet on January 23 of this year, Prime Minister Kishida stated, "The abductions issue, one of our highest priorities, is a grave humanitarian issue and we have no time to lose in resolving it."

¹⁶⁸ Includes prompt responses to the effects of, for example, sharp fluctuations in foreign exchange rate.

¹⁶⁹ The National Security Strategy, the National Defense Strategy, and the Defense Buildup Program (National Security Council Decision and Cabinet Decision on December 16, 2022).

¹⁷⁰ Act on Enhancing Defense Production and Technology bases (Act No. 54 of 2023).

work on research and development to realize innovative equipment ahead of other countries, and make efforts to proactively utilize advanced commercial/basic technologies.

The government will reinforce human resource base by securing excellent human resources, improving living and working environment, and improving treatment, while also enhancing medical functions. The government will also promote the realignment of the U.S. Forces in Japan and the base-related measures.

With regard to financial resources for the fundamental reinforcement of defense capabilities, including agile and flexible manner, the government will secure these financial resources in line with the Defense Buildup Program,¹⁷¹ etc. In doing so, in the budget formulation process of each fiscal year, the government will make efforts to further secure the non-tax income that was secured by 4.6 trillion yen through the continuation of expenditure reform, utilization of the settlement surplus which resulted from trends in tax revenues and the disused expenditures, etc., and transfer from the foreign exchange fund special account. The government will make a flexible decision on the timing of the start of the tax measures, which is supposed to be "appropriate timing in or after 2024,"¹⁷² as it takes into account the status of ongoing efforts aimed at securing little more than five trillion yen in additional non-tax revenues and other additional revenues so that the appropriate timing can be set sometime in or after 2025.

Based on the idea of utilizing comprehensive national power, including not only its defense capabilities but also diplomatic and economic capabilities, Japan will reinforce its comprehensive defense architecture by promoting efforts in the four areas that complement and are inseparable from the fundamental reinforcement of defense capabilities under the frameworks of relevant ministries and agencies, namely research and development, public infrastructure development, cyber security, and international cooperation to enhance deterrence capabilities of Japan and like-minded countries.

In order to improve response capabilities in the field of cybersecurity on a par with those of leading Western countries, the government will strengthen cyber security capabilities and develop a system to implement active cyber defenses. Japan will strengthen external communications as well as response to Integrated Information Warfare, including responding to dissemination of disinformation that involve the strengthening of cooperation with agencies outside the government. Japan will also reinforce systems and capabilities concerning intelligence gathering

¹⁷¹ "In fiscal 2027 and thereafter, with regard to securing the financial resources to maintain a stable defense force and to finance the Plan from fiscal 2023 to fiscal 2027, necessary measures will be taken in terms of both expenditure and revenue, including expenditure reform, utilization of closing surplus, creation of funds for defense force enhancement utilizing non-tax revenue, and tax measures."

¹⁷² The Outline of Tax Reform for Fiscal 2023 (Cabinet Decision on December 23, 2022).

and analyzing that including human intelligence. In order to realize the prompt and safe evacuation of residents, including those in the Southwest region, the national and local government, etc., will cooperate to reinforce a mechanism for the protection of the people through measures such as securing various types of evacuation facilities and promoting efforts to protect residents.

Japan will promote comprehensive maritime security and other initiatives including through Maritime Domain Awareness(MDA) based on the Basic Plan on Ocean Policy.¹⁷³ The Japan Coast Guard will also upgrade and increase the number of patrol vessels and the like, secure the operating expenses, promote the use of new technologies such as unmanned aircraft, strengthen cooperation and collaboration with the police, the Self-Defense Forces and overseas coast guard agencies, etc., and develop human resources based on the Policy on Strengthening Maritime Security Capabilities.¹⁷⁴ Based on the Basic Plan on Space Policy,¹⁷⁵ the government will strengthen comprehensive efforts related to space security, including enhancing the use of space by the Self-Defense Forces and others.

(2) Promotion of economic security policies

From the perspective of ensuring Japan's interests, such as peace and security and economic prosperity, Japan will execute necessary economic measures comprehensively, effectively and intensively to enhance Japan's self-reliance and to secure the advantage and indispensability concerning our technologies and others, while also striking a balance with the freedom of economic activities. In doing so, while strengthening cooperation and collaboration with its ally and like-minded countries, etc., the government will continuously assess the risks that exist in each industry, etc., and take necessary measures in a whole-of-government manner.

The government will steadily implement the Economic Security Promotion Act¹⁷⁶ and further strengthen the relevant efforts.

After conducting constant inspections and evaluations of supply chains of critical products, the government will consider responses to identified issues and steadily take necessary measures to ensure stable supply. We will further consider forms of support, including capital reinforcement, to private enterprises that manufacture critical-products for survival of citizens, their daily lives, and economic activities.

To develop advanced key technologies, the government will demonstrate

¹⁷³ Cabinet Decision on April 28, 2023.

¹⁷⁴ Decision at the Ministerial Conference on the Strengthening of Maritime Security Capabilities on December 16, 2022.

¹⁷⁵ Cabinet Decision on June 13, 2023.

¹⁷⁶

Law on Promotion of Security by Taking Economic Measures in an Integrated Manner (Law No. 43 of 2022).

technology that should be the subject of new support, and realize continuing and strong support by steadily engaging in R&D with accompaniment and support from the public and private sectors. In order to steadily conduct surveys and research based on the Economic Security Promotion Act at a think tank related to safety and security, the government will proceed preparatory work for the establishment of a think tank and enhance surveys and research.

For the smooth implementation of the preliminary screening system for essential infrastructure and the non-disclosure system of certain applications in the spring of 2024, the government will disseminate necessary information and develop necessary systems in the relevant ministries and agencies. In critical infrastructure areas, Japan will build up infrastructure resilience to address vulnerabilities, including improving autonomy in international communications, while also cooperating with our allies and like-minded countries, etc.

In light of the state of information security in major countries and the needs of industrial circles and others, the government will further study the relevant legal system, etc., for strengthening information security that involves security clearances in Japan, and will come to a conclusion promptly. With regard to data and information protection, in light of changes in the international environment and other factors, the relevant ministries and agencies will work closely together to consider measures to be taken to ensure the safety and reliability of sensitive data as well as information and communications technology services. The government will promote the use of information systems in accordance with the policy corresponding to the confidentiality of information handled by the government and disseminate and publicize the concept of this policy to private companies. We will also support the development of necessary cloud technologies and reflect such results in public procurement.

Regarding investment screening under the Foreign Exchange and Foreign Trade Act¹⁷⁷, the government will enhance information collection, analysis, monitoring, etc., including at local government offices. We will also consider what businesses should be designated as businesses subject to mandatory prior notification. In light of situations such as Russia's aggression against Ukraine, the government will continue to work on the responsible control of technologies by democratic nations possessing advanced technologies, including consideration of a new security trade control framework, and on effective implementation of relevant sanctions. In close cooperation and collaboration with its ally and like-minded countries, etc., Japan will consider how to effectively respond against economic coercion by foreign countries and will advance relevant measures. We will continue to work to ensure

¹⁷⁷ Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949).

research integrity and strengthen screening for the acceptance of international students and researchers. In accordance with the Act on the Review and Regulation of the Use of Real Estate Surrounding Important Facilities and on Remote Territorial Islands¹⁷⁸, the government will proceed with the designation of areas and carry out surveys, etc., effectively and steadily, and further move ahead with the relevant discussions after assessing the status of law enforcement and internal and external security situations, etc.

With the National Security Secretariat serving as a control tower, the government will strengthen the system for promoting economic security together with, relevant ministries and agencies such as the Cabinet Office (in charge of economic security). In order to strengthen intelligence capabilities that will contribute to economic security, necessary mechanisms such as collecting and analyzing information will be developed. The national government will work to collaborate with relevant parties, including local governments, in terms of matters such as the dissemination of information on economic security.

(3) Strengthening of energy security

As the international energy market has been disrupted by Russia's aggression against Ukraine, Japan faces a tense situation of a feared energy crisis, with concerns over high energy prices and tight domestic power and gas supplies. Stable and affordable energy supply is the foundation of people's lives and social and economic activities, and along with decarbonization efforts¹⁷⁹, we need to shift to resilient energy supply and demand structures that can withstand a possible energy crisis¹⁸⁰.

Therefore, in order to break away from excessive dependence on fossil energy, the government will promote thorough energy conservation on the demand side and fuel conversion in the manufacturing industry. Meanwhile, on the supply side, the government will contribute to energy security, including renewable energy and nuclear power, in order to weather the current crisis, and will make the most of power sources with high decarbonization effects. In light of the 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, utilize nuclear power plants on the basic premise of ensuring security, promote the effective nuclear regulations that include conducting strict and efficient reviews, and develop a nuclear disaster prevention

¹⁷⁸ 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).

¹⁷⁹ Including efforts described in the preceding Chapter 2. (2).

¹⁸⁰ Measures to ensure a stable energy supply will be implemented in accordance with the Sixth Basic Energy Plan (Cabinet Decision on October 22, 2021).

system that includes securing evacuation routes¹⁸¹ by building/improving roads.

As the global resource and energy situation becomes more complex and uncertain, Japan, which relies on foreign countries for most of its resources, will take the lead in resource diplomacy in order to secure a stable supply of oil, natural gas and metal mineral resources while also strengthening support through government-affiliated organizations. In addition, Japan will work to secure a stable supply of energy across Asia¹⁸² by securing LNG in cooperation with other Asian countries, as well as securing a stable supply of critical minerals¹⁸³ through collaboration with like-minded and other countries. Moreover, the government will strengthen the fuel supply system by building strategic LNG surplus, strengthening the management of SS¹⁸⁴ operators and maintaining networks.

In addition, the government will bolster stable supply systems by, for example, implementing support measures to secure rare metal stakes, and will endeavor to secure domestic marine resources such as methane hydrate, sea-floor polymetallic sulfides, and rare earth yttrium-rich mud.

(4) Strengthening of food security and promotion of the sustainable growth of agriculture, forestry and fisheries

In order to establish a sustainable and robust food supply base in response to Japan's declining population and net zero amid growing food security risks such as the intensification of global food competition, we will embody the New Direction of Development of Food, Agriculture and Rural Policies¹⁸⁵ and accelerate the review of the Basic Act on Food, Agriculture and Rural Areas¹⁸⁶, including basic principles, with a view to submitting a revised bill to the Diet this fiscal year.

In order to strengthen food security, we will promote structural changes, such as expanding domestic production capacity¹⁸⁷ for food and production materials that are highly dependent on imports, while appropriately combining stable imports and stockpiles, as well as evaluating the state of food security from peacetime and moving ahead with discussions on a mechanism to ensure food security for emergencies with the government in its entirety, a mechanism to facilitate food provision to vulnerable shoppers, food banks, children's cafeterias, and other

¹⁸¹ Including facilitating evacuation through emergency evacuation facilitation projects and improving the quality of advanced medical care for radiation exposure.

¹⁸² Including initiatives such as the Asia Zero Emission Community Initiative and the Asia Energy Transition Initiative.

¹⁸³ Implementation of the G7 Climate, Energy and Environment Ministers' Communiqué (April 15 and 16, 2023) Annex "Five-Point Plan for Critical Minerals Security" and others.

¹⁸⁴ Abbreviation for service station.

¹⁸⁵ Decision at the Headquarters for Stable Food Supply and Strengthening the Agricultural, Forestry and Fishery Industry Base on June 2, 2023

¹⁸⁶ Act No. 106 of 1999.

¹⁸⁷ Increase production area by 9% in wheat, 16% in soybeans, 188% in rice for rice flour, 32% in forage crops, and double use of compost and sewage sludge resources by 2030.

citizens in cooperation with relevant ministries and local governments, and consider a mechanism etc. to promote appropriate price shift of food¹⁸⁸,.

In the export of agricultural, forestry and fishery products and food products, while emphasizing earnings, we will aim to bring forward the target of two trillion yen in exports in 2025. We will also push forward advanced initiatives such as organic agriculture, promote the development of food businesses and cooperation with producers, and visualization of farmers' efforts that contribute to fostering consumer understanding, in order to establish sustainable food systems, MIDORI.

We will discuss mechanisms to promote the development of new technologies through industry-academia-government collaboration and the transformation of production and distribution systems, accelerate the implementation of smart agriculture, forestry and fisheries¹⁸⁹, nurture and secure relevant personnel and service entities, accumulate and concentrate farmland on relevant personnel, promote collaboration with other industries for the revitalization of rural areas, take measures such as the conservation and extensive use of farmland in hilly and mountainous areas, convert paddy fields to upland fields and multipurposed paddy fields and expand farmland partitions through land improvement projects, implement measures to combat wildlife nuisance as well as livestock infectious diseases, and stabilize the management of farmers.

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 take measures to tackle against illegal logging in accordance with the revised Clean Wood Act¹⁹⁰, shift to domestic timber, and expand the use of timber¹⁹¹ such as CLT¹⁹²

We will properly manage policy package fisheries resources, convert operational forms, establish processing and distribution structures, promote growth of the aquaculture 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)¹⁹³ in accordance with the revised Fishing Ports Act¹⁹⁴.

¹⁸⁸ A forum will be established for parties involved in each stage of the food system to discuss such a mechanism.

¹⁸⁹ Agriculture, forestry and fisheries using advanced technologies such as IoT, AI and robots.

¹⁹⁰ The Act for Partial Revision of the Act on Promoting the Distribution and Use of Legally Harvested Wood and Wood Products (Act No. 22 of 2023).

¹⁹¹ In addition, the Policy Package for Forestry Revitalization and Promotion of Wood Use (tentative name) will be drawn up in 2023 to help combat pollen sources.

¹⁹² Abbreviation for Cross Laminated Timber, a solid panel made of orthogonal layers of sawn lumber that are laminated by gluing.

¹⁹³ Since UMIGYO is closely related to commerce, tourism and environmental protection, the government will strengthen cooperation with relevant ministries and agencies.

¹⁹⁴ Act for Partial Revision of the Act on Development of Fishing Ports and Grounds, and the Fishery Industry Cooperative Association Act (Act No. 34 of 2023).

(5) Promotion of international economic partnerships and promotion of overseas business investments by Japanese companies

(Promotion of international economic partnerships)

Japan will work to expand a free and fair economic zone as well as to maintain and strengthen the rules-based multilateral trading system, both of which form the foundation for global growth and prosperity¹⁹⁵. In the wake of the G7 Hiroshima Summit, Japan will lead discussions on the importance of a New Form of Capitalism and the need for international partnerships for such efforts. By the end of this year, the SDGs Implementation Guiding Principles will be revised with the aim of creating a society in which no one is left behind.

While maintaining the high standard of the CPTPP¹⁹⁶, Japan will lead the UK¹⁹⁷ accession process and ensure the full implementation of the RCEP¹⁹⁸ Agreement, and aim for concrete results in the IPEF¹⁹⁹, etc. In addition, Japan will lead reform of the WTO, the core of the multilateral trading system. Japan will also implement measures based on the TPP framework²⁰⁰.

Aiming to realize the initiative of the Asia Zero Emissions Community (AZEC²⁰¹) initiative, etc., Japan will contribute to creating standards as well as global decarbonization by making use of Japanese technologies and systems²⁰². Leveraging Japanese technology, Japan will lead negotiations and such,²⁰³ to develop a widely accepted treaty aiming to achieve the ambition to reduce additional plastic pollution to zero by 2040. In addition, with the aim of halting and reversing biodiversity loss by 2030, the government will consider a legal system to certify voluntary efforts with a view to submitting the related bill to the Diet this fiscal year, and promote initiatives such as green infrastructure and the G7 Alliance on Nature Positive Economies²⁰⁴. In order to promote global health and resolve issues, Japan will seek to achieve universal health coverage (UHC) and consider measures based on the G7 Hiroshima Summit Declaration. In addition to promoting the One

¹⁹⁵ Including rule-making at UNCITRAL, etc.

¹⁹⁶ Abbreviation for Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

¹⁹⁷ In March 2021, the United Kingdom announced its Indo-Pacific tilt, and in March this year, the UK announced that it would make the region a permanent pillar of its international policy going forward.

¹⁹⁸ Abbreviation for Regional Comprehensive Economic Partnership.

¹⁹⁹ Abbreviation for Indo-Pacific Economic Framework.

²⁰⁰ Comprehensive TPP-Related Policy Framework (Decision at the TPP and Other Related Policy Headquarters on December 8, 2020).

²⁰¹ Abbreviation for Asia Zero Emission Community.

²⁰² Including promotion of the Asia Energy Transition Initiative (AETI) and the Joint Crediting Mechanism (JCM).

²⁰³ Including the realization of the Osaka Blue Ocean Vision proposed at the G20 Osaka Summit in 2019, which also contributed to discussions to begin treaty negotiations.

²⁰⁴ Including promotion of efforts to conserve at least 30% of land and sea by 2030, supporting responses to information disclosure such as TNFD (Taskforce on Nature-related Financial Disclosures), and examining how to understand and manage data that will form the basis of these efforts.

Health approach²⁰⁵, in measures designed to counter drug resistance, Japan will promote domestic measures such as securing therapeutic drugs through market incentives, as well as research and development through international collaborations and industry-academia-government collaboration. We will promote initiatives pertaining to digitalization involving trade processing, supply-chain resilience²⁰⁶, quality infrastructure²⁰⁷, a sound water cycle, water-related disaster risk reduction, and womens empowerment. We will steadily implement measures based on the Infrastructure System Overseas Promotion Strategy²⁰⁸, including support for the formulation of projects that meet partner countries' needs such as smart city projects as well as the above-mentioned efforts. We will promote international standard strategies in a wide range of fields to expand the international market. We will address the debt problems of developing countries and contribute to the international discussions for strengthening the financial system²⁰⁹.

The government will move forward with preparations for large-scale international events²¹⁰, including Expo 2025 Osaka, Kansai, Japan, which is a testing ground for Future Society, and International Horticultural Expo 2027, Yokohama, Japan.

(Promotion of overseas business investments by Japanese companies)

In order to promote overseas business expansion by Japanese companies with advanced technologies and the desire to invest overseas, the Government will strengthen necessary framework and strengthen and disseminate menus of supporting measures corresponding to each business stage, based on the “Overseas Business Investments Support Package²¹¹,” etc., while utilizing investment-related agreements and ODA, etc.²¹² In addition, based on the outcome of the G7 Hiroshima Summit, the Government will urgently proceed with the discussions at the Council on Preparation for Promotion of Ukraine’s Economic Reconstruction and bearing in mind the local conditions including the war situation, the reconstruction plan for Ukraine, as well as the importance of ensuring the safety of local Japanese citizens and the rule of law, the Government will - in close

²⁰⁵ Refers to addressing cross-cutting issues related to human and animal health and the environment through concerted efforts by relevant parties.

²⁰⁶ Including the promotion of the Resilient and Inclusive Supply-chain Enhancement (RISE) concerning clean energy products, which was agreed to be launched by the end of this year at the latest, at the G7 Finance Ministers and Central Bank Governors' Meeting (May 11-13, 2023) and at the G7 Hiroshima Summit.

²⁰⁷ Including efforts by the G7 Global Infrastructure Investment Partnership (PGII: Partnership for Global Infrastructure and Investment) to mobilize up to \$600 billion in public and private capital for global infrastructure investment by 2027.

²⁰⁸ Infrastructure System Overseas Promotion Strategy 2025 (June 2023 Supplementary version) (Decision at the Ministerial Meeting on Strategy relating to Infrastructure System Overseas Promotion and Economic Cooperation on June 1, 2023).

²⁰⁹ Discussions at the Financial Stability Board (FSB) and other meetings.

²¹⁰ 2026 Asian Games and Asian Para Games, World Masters Games 2027 Kansai, etc.

²¹¹ Compiled on December 20, 2022.

²¹² Including tax treaties, social security agreements and legal technical assistance.

cooperation with the G7 and international organizations - provide support to the economic reconstruction of Ukraine by improving the business environment under the proactive initiative of the Government through enhanced utilization of relevant government agencies, provision of financial support, while taking measures against corruption. Taking this into regard, we will provide flexible and ambitious reconstruction assistance unique to Japan by utilizing advanced technologies of Japanese companies and promoting investment. We will also work on respecting human rights²¹³ in corporate supply chains and government procurement.

2. Disaster prevention and mitigation, building national resilience, reconstruction from the Great East Japan Earthquake, etc.

(Disaster prevention and mitigation, and national resilience)

In accordance with the Fundamental Plan for National Resilience and in light of the current surge in material prices, we will secure necessary and sufficient budgets, appropriately combine self-help, mutual assistance, and public assistance, take into account the viewpoints of women and children, etc., as well, and strongly promote efforts that integrate hardware and software in order to overcome the intensifying and frequent natural disasters²¹⁴ as well as the nation's crises such as aging infrastructure, to protect people's lives, property, and livelihoods, and to maintain key social functions. We will promote initiatives such as the five-year acceleration measures²¹⁵, etc., to move forward with our efforts to make Japan a country that will not yield to disasters.

While large-scale damage has been curbed by the steady efforts made so far, it is important to continue and stably advance initiatives for building national resilience with a clear medium- to long-term outlook, and thus the necessary consideration will be made in accordance with the revised Act²¹⁶ for steadily promoting national resilience after the five-year acceleration measures.

As for the new Fundamental Plan for National Resilience to be formulated this summer, the initiatives will be further strengthened in union with the Vision for a Digital Garden City Nation and the new National Spatial Strategies. As the pillars of new measures, we will pursue the "development and management of the disaster prevention infrastructure to protect people's lives and property" by implementing the

²¹³ Efforts based on the Guidelines on Respect for Human Rights in Responsible Supply Chains (Decision at the Liaison Conference of the Relevant Ministers for the Implementation of the Action Plan on Business and Human Rights on September 13, 2022).

²¹⁴ Large-scale earthquakes, tsunami disasters, meteorological disasters, volcanic disasters, etc., such as a Nankai Trough earthquake, an earthquake directly under the Tokyo area, a huge earthquake along the Japan Trench or Chishima Trench.

²¹⁵ The Five-Year Acceleration Measures for Disaster Risk Reduction, and National Resilience (Cabinet Decision on December 11, 2020).

²¹⁶ The Act for Partial Revision of the Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry (Enacted on June 14, 2023).

River Basin Disaster Resilience and Sustainability measures²¹⁷ based on potential climate change impacts, accelerating measures to deal with aging infrastructure, as well as expanding and strengthening disaster prevention systems and functions²¹⁸ such as TEC-FORCE, etc.²¹⁹, the "resilience of transportation, communication, energy and other lifelines that form the foundation for economic development" by building transport networks resistant to disasters, etc.,²²⁰ through the elimination of missing links, etc., the "strengthening of public-private partnerships in times of disaster to ensure the business continuity, etc.," by taking measures for supply-chain resilience, promoting the use of ships for medical care provision and ensuring the continuity of medical care through the use of medical containers, etc., and the "sophistication of national resilience measures utilizing digital and other new technologies" by sophisticating disaster prevention and weather information utilizing next-generation meteorological satellites²²¹, promoting DX in the fields of fire safety and disaster preparedness, building a disaster prevention digital platform²²², promoting disaster prevention DX such as promoting app development for supporting residents²²³, and promoting disaster prevention scientific technologies, and the diversity- fairness- and inclusiveness-conscious "strengthening of regional disaster prevention capabilities" by promoting disaster case management²²⁴, securing and nurturing the relevant personnel including intermediate support organizations related to disasters²²⁵ to support affected people, taking disaster prevention measures to protect local precious cultural property, expanding and strengthening timeline disaster prevention by increasing the number of weather disaster mitigation advisors and regional disaster prevention managers across the country, and expanding and strengthening fire safety and

²¹⁷ Includes a review of flood control plans in light of climate change and the expansion of flood forecasting rivers.

²¹⁸ Includes the promotion of measures to ensure the safety of embankments, promotion of forest management and conservation, strengthening of disaster prevention functions in schools and other shelters, and the utilization of green infrastructure.

²¹⁹ Includes Regional Development Bureaus, the Geospatial Information Authority of Japan, and research institutes that support field surveys and emergency measures that require advanced technical capabilities in times of disaster.

²²⁰ Includes strengthening measures to secure traffic during heavy snow, promoting the elimination of electric poles, and enhancing power outage measures.

²²¹ Includes improvement of prediction accuracy of stationary linear mesoscale convective systems and floods, etc., and upgrading of dam operation using the latest weather prediction technology.

²²² Refers to the data sharing rules and a Japanese version of EEI to be newly formulated, where the Next-generation integrated disaster management information system (scheduled to start operation in fiscal 2024), which is currently being developed, will play a central role so that disaster response organizations such as government agencies and local governments can establish a collaborative sharing system which will be linked to disaster information systems such as DiMAPS.

²²³ Includes disaster prevention IoT for information gathering by utilizing drone sensors, etc., in times of disaster, and the creation and implementation of innovative technologies utilizing AI, etc.

²²⁴ Efforts for the relevant parties to work together and support disaster victims continuously and meticulously, based on the understanding of the situation of each individual victim.

²²⁵ Organizations that support and coordinate the activities of various private organizations such as NPOs and volunteers on sites such as disaster areas.

disaster preparedness, etc.,²²⁶ through encouraging a wide range of residents to join fire corps, and maximize the use of digital and regional capabilities to enhance national resilience.

In order to further strengthen measures against volcanic disasters, we will develop and maintain a system for The Headquarters for Volcano Research Promotion, and foster and continuously secure personnel with specialized knowledge and skills, in accordance with the revised Act²²⁷.

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

Without the reconstruction of Tohoku, there can be no revitalization of Japan. With the Reconstruction Agency serving as a control tower, we will do our utmost to reconstruct and revive the affected areas in accordance with the Basic Policy²²⁸, etc. In areas hit by the earthquake and tsunami, the government will tackle remaining issues, such as mental health care for victims. The national government will continue to play a leading role in the reconstruction and revitalization of areas hit by nuclear power disaster, which require medium-to long-term measures. We will proceed safely and steadily with decommissioning of TEPCO's Fukushima Daiichi Nuclear Power Station and restoring the environment. Regarding the discharge of ALPS treated water, we will take all possible measures to ensure safety and adverse impacts on reputation. In addition to the promoting the return of residents, the government will promote migration and settlement. No matter how long it takes, with the resolution that it is the government's responsibility to lift the evacuation orders in the all restricted areas in the future and work on reconstruction and revitalization, we will proceed with the development and maintenance of the living environment for Specified Reconstruction and Revitalization Base Areas, and for areas outside of the Specified Reconstruction and Revitalization Base Areas, we will work on the realization of the return of residents who have the intention to return by establishing the Specified Return Living Areas based on the revised Act on Special Measures for the Reconstruction and Revitalization of Fukushima²²⁹. We will try to further develop the Fukushima Innovation Coast Framework by supporting the establishment of businesses, preparing fields of endeavor for these businesses, and advancing efforts to realize the Fukushima Plan for a New Energy

²²⁶ Includes expanding the disaster prevention systems and functions of meteorological offices across the country to provide support to local governments, strengthening regional disaster prevention measures by utilizing experienced technical staff, promoting efforts to evacuate people requiring special attention, and securing space for kids in evacuation centers.

²²⁷ Act for Partial Revision of the Act on Special Measures Concerning Active Volcanoes (Enacted on June 14, 2023).

²²⁸ Second Term Basic Guidelines for Reconstruction from the Great East Japan Earthquake After the Reconstruction and Revitalization Period (Cabinet Decision on March 9, 2021).

²²⁹ Act for Partial Revision of the Act on Special Measures for the Reconstruction and Revitalization of Fukushima (Act No. 49 of 2023).

Society, as well as moving forward with developing and maintaining systems of the Fukushima Institute for Research, Education and Innovation, which will serve as the core base for creative reconstruction. At the same time, we will promote urban development by fostering local human resources through colleges of technology as well as by utilizing culture and art such as movies. We will do our utmost to help afflicted areas recover and rebuild from disasters.

3. Safety and security in people's lives

To ensure good public security, the relevant ministries and agencies will cooperate 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) measure, etc.²³⁰

We will pursue efforts to prevent accidents involving elderly and other drivers, support the victims of car accidents, enhance Japan Coast Guard's rescue and emergency system, and take measures to combat online and telephone scam in collaboration with the relevant ministries, agencies, and businesses.

We will promote measures based on the Second Term Recidivism Prevention Plan²³¹, enhance and strengthen preventive justice support functions for issues in Japan and abroad and comprehensive legal support²³², promote digitalization in the judicial branch and national bar examinations, take tougher measures to combat human rights violations on the Internet²³³, and improve the personnel and material foundations²³⁴ that should support a safe and secure society by securing legal professionals and promoting law related education. We will also strengthen measures for crime victims, etc.,²³⁵ based on the Basic Plan²³⁶ and the Further Promotion of Measures for Crime Victims²³⁷. We will also work on measures to combat sexual crimes and sexual violence. Furthermore, we will promote Justice Affairs Diplomacy as part of our coordinated diplomatic approach through coordination with partners such as the G7 and ASEAN, and engage in legal technical assistance, promotion of international arbitration and fostering

²³⁰ Includes international efforts through multilateral frameworks, etc.

²³¹ Cabinet Decision on March 17, 2023. Includes enhancing support for private collaborators such as HOGOSHI (volunteer probation officers) and offenders rehabilitation facilities, strengthening collaboration with local governments, and improving treatment measures for inmates in response to their characteristics in light of the establishment of imprisonment.

²³² Includes support for securing payment of child support in single-parent households.

²³³ Includes bullying, hate speech, and Buraku discrimination (Dowa Issue).

²³⁴ Includes measures for aging correctional facilities.

²³⁵ Includes fundamentally strengthening economic support, expanding legal aid and strengthening control tower functions.

²³⁶ Fourth Basic Plan for Crime Victims, etc. (Cabinet Decision on March 30, 2021).

²³⁷ Decision at the Council for the Promotion of Policies for Crime Victims, etc., on June 6, 2023.

international legal human resources.²³⁸

We will promote efforts to prevent accidents involving products for children, etc.²³⁹, restructure systems to improve consumer affairs consultation services, strengthen the food hygiene standard administration's functions, educate consumers to prevent the damage caused by fraudulent schemes, and harmonize food labelling standards with global standards. We will also formulate a package of measures²⁴⁰ by the end of the year to achieve food loss and waste reduction targets.

In order to solve the social problem of pollen allergy, the government will work in a united effort to take measures against the sources aiming to halve the amount of pollen produced in about 30 years, dispersal, onset and exposure, etc., based on the Overall Picture of the Measures Against Pollen Allergy.²⁴¹

Under the revised Act²⁴², we will strengthen measures against heat illness by using special Heat Stroke Alert information and encouraging the designation of cooling shelters, etc.

In response to the change in the status of COVID-19 to category 5 under the Infectious Diseases Control Act²⁴³, we will move forward with a phased transition²⁴⁴ of various policies and measures, such as medical care systems and public expense support, and will take necessary measures, such as ensuring a multilayered system to monitor the epidemic situation while promoting basic infection prevention measures. In addition, research and surveys will be conducted to advance our understanding of Post COVID-19 Condition and side effects for COVID-19 vaccines.

In order to ensure a thorough response to the next infectious disease crisis, the government will establish a Cabinet Agency for Infectious Disease Crisis Management this fall to strengthen the control tower function for infectious disease crisis management and revise the government's Action Plan²⁴⁵ in light of the review of the response to the COVID-19 so far. The institute for health security (provisional translation) will be established from FY 2025 onward to rapidly provide high-quality

²³⁸ Includes speeding up the translation of laws and regulations into foreign languages.

²³⁹ Includes measures to prevent product accidents associated with direct sales from overseas.

²⁴⁰ Includes taking legal measures to promote food donations and takeout of leftovers, strengthening the structure of food bank organizations and reviewing best-before dates.

²⁴¹ Decision at the meeting of the Council of Ministers on Pollen Allergy on May 30, 2023

²⁴² Act for Partial Revision of the Climate Change Adaptation Act and the Act on the Environmental

Restoration and Conservation Agency, Independent Administrative Agency (Act No. 23 of 2023).

²⁴³ Act on Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (Act No. 114 of 1998).

²⁴⁴ Based on the Review of the Medical Care Delivery System and Public Expense Support due to Changes in the Positioning of the Novel Coronavirus under the Infectious Diseases Act (Decision at the Novel Coronavirus Response Headquarters on March 10, 2023), etc.

²⁴⁵ National Action Plan for Pandemic Influenza and New Infectious Diseases (Cabinet Decision on June 7, 2013, partially changed on September 12, 2017).

scientific findings. In addition, we will work to promote the conclusion of medical care agreements, strengthen the systems of public health centers and regional health research institutes, develop and maintain the infrastructure for clinical research, foster human resources, and strengthen the ability/readiness of Disaster Medical Assistance Team (DMAT).

Chapter 4 Medium- to Long-Term Economic and Fiscal Management

1. Sustainable economic and fiscal management from a medium- to long-term perspective

(Basic approach)

As mentioned above, we will carry out sustainable economic and fiscal management while securing financial resources to address various social issues amid the rapidly changing environment surrounding Japan.

Emerging from the COVID-19 pandemic, with the economy normalizing, we are expanding “the virtuous cycle of growth and distribution”. Under this circumstance, we will work to return the expenditure structure to normal, while properly taking into account the rising wages and procurement prices. We will also strive to ensure that the emergency government spending does not become unnecessarily prolonged or constant. In order to achieve both economic revival and fiscal consolidation, our fiscal policy will focus primarily on raising the potential growth rate and resolving social issues. We will carry out economic and fiscal management with the focus on a medium- to long-term perspective. From a medium- to long-term perspective of five to ten years, we will ensure the predictability of the private sector, tap private demand, and carry out policy management that promotes medium- to long-term well-planned investments that will solve social issues. To secure such management, we will ensure a thorough implementation of effective and efficient spending (wise spending).

In doing so, we will work to correct the harmful effects of the single-year budget principle. We will use dynamic thinking with an eye on the future effects of the tax system. Furthermore, we will create incentives and mechanisms to promote structural changes, industrialize and visualize the public sector. We will also make individual budgets effective and efficient and be more rigorous in verifying results. In addition, we will thoroughly implement administrative and fiscal reforms with high quality and efficiency as well as economic ripple effects to realize reforms toward next-generation administrative services that are compatible with a digital society.

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, and 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 at all times, such as the impact of the recent price hikes. The government will therefore undertake the necessary verification depending on the situation.

Through these efforts, we will ensure that the economy, finance and social security are integrated and sustainable in the face of an aging²⁴⁶ and declining population.

(Consideration of medium-term economic and fiscal framework)

In line with the economic and fiscal framework set out in the New Economic and Fiscal Revitalization Plan, including the economic growth-rate target and the fiscal consolidation target, the government will undertake integrated economic and fiscal reforms aimed at achieving economic revitalization and fiscal consolidation at the same time, giving due consideration to the interrelationship between the economy and fiscal policy. With regard to planned investment over multiple years, we will examine the financial resources in an integrated manner as well to balance expenditure and revenue over multiple years, and promote initiatives to realize a structure in which recurring expenditure will be steadily funded by an annual tax revenue and other sources. In order to formulate a medium-term economic and fiscal framework, we will examine and verify the progress of integrated economic and fiscal reforms in fiscal 2024. Also, with an eye on administrative and fiscal reforms in the digital age, we will examine how indicators to show the progress toward realization of the virtuous cycle of growth and distribution should be and will consider mechanisms for stimulating private investment to achieve the virtuous cycle as well as frameworks for achieving both economic revival and fiscal consolidation.

We will maximize the efficiency of the current systems in order to secure financial resources to address critical multi-year policy issues in a difficult fiscal environment. In particular, as for the funds and government assets accumulated in the corona-related budget, the government will make effective use of funds, scrutinize the prospects for their planned use, return surplus funds to the national treasury, and thoroughly implement EBPM. In principle, with regard to planned investments over

²⁴⁶ By 2025, all those of the baby boomer generation will be over 75, and people over 65 will make up about 30% of the population.

multiple years and funds of a certain size or larger, we will examine financial resources in an integrated manner, and clarify the outlook for the effects of policies and the impact of financing on the economy.

(Medium- and long-term economic and fiscal prospects and enhancement of their evaluation and analysis)

In considering the medium-term economic and fiscal framework, we will expand and enhance the analysis of the medium- to long-term economic and fiscal prospects²⁴⁷, including the positioning of economic scenarios and the way in which policy effects are expressed. We will also expand and enhance the information to be disseminated to the outside world, including the enhancement of risk evaluation and sensitivity analysis that should take into account future uncertainties. We will also examine the realization status of a virtuous cycle of growth and distribution based on various indicators²⁴⁸. The Council on Economic and Fiscal Policy will examine these efforts as needed at the time of the publication of the medium- to long-term projections²⁴⁹ every six months and conduct a comprehensive examination of these efforts in about three years time, thereby linking them to the improvement and strengthening of policy methods and necessary policy responses from short- and medium-term perspectives.

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

In order to achieve sustainable economic growth, it is important to allocate resources in an overall optimal manner, and it is necessary to clarify priorities throughout all expenditures and to ensure outcome-oriented spending.

Therefore, in order to thoroughly strengthen the EBPM effort, we will require the establishment of KPIs and the submission of evidence and results to verify the effects of the policies in advance in a manner that allows them to be verified *ex post facto* on all budget matters so as to make policy priorities visible. In particular, we will introduce basic EBPM for all budget projects by actively using the administrative project review sheet that introduced EBPM from the budgeting process for this fiscal year. In addition, we will expand and enhance the data collection and preparation²⁵⁰ to build evidence as well as policies of which effects are supported by evidence.

As the scope of EBPM expands, we will evaluate and analyze critical issues that

²⁴⁷ For example, we will explain how the government's ongoing measures should show their effects in contrast to the case where the economy would continue to grow into the future at the current potential growth rate. We will elaborate the policy ideas needed to achieve such effects.

²⁴⁸ Includes real GDP per capita, the degree of well-being, wages and salaries (or employer's compensation) per capita, and the share of the middle income group.

²⁴⁹ The Cabinet Office's "Economic and Fiscal Projections for Medium to Long Term Analysis."

²⁵⁰ Includes earlier data preparation and publication in accordance with international standards (e.g., the OECD Health Expenditure).

have not made sufficient progress through our previous efforts for integrated economic and fiscal reforms based on the results of these efforts. We will also implement a well-defined PDCA based on the budget size and the policy system, etc., and revise the reform timetable of the New Economic and Fiscal Revitalization Plan at the end of this year. In revising it, we will promptly build Evidence-Based PDCA to ensure effective and efficient spending on issues requiring new and enhanced expansion, including Defense, GX and Children's policies. In addition, we will accelerate the introduction of Well-being indicators into KPIs in various government basic plans and examine how children-focused indicators should be. Furthermore, we will promote the use of Well-being indicators in local governments.

As for funds that address important policy issues over multiple years to correcting the harmful effects resulting from deciding public finances on a single fiscal year basis, we will promote PDCA efforts based on the EBPM method and utilize fund sheets to ensure effective and efficient expenditures, improve the predictability of the private sector, promote public-private partnerships, visualize and maximize the effects of projects, and set scheduled dates for project termination, while making use of the characteristics of the funds. We will strengthen and expand our evaluation and analysis, for the sake of reviewing and verifying the progress of the integrated economic and fiscal reforms to be implemented in fiscal 2024, including these efforts.

We will promote the DX of official statistics to improve quality and speed up the secondary use of questionnaire information. We will also consider how to best utilize government data.

(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, globalization and other socioeconomic structural changes.

In keeping with the Basic Policy on Economic and Fiscal Management and Reform 2022, etc., we will aim to improve redistribution functions based on the principle of ability to pay and prevent disparities from becoming fixed. time, 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

At a time of historical transition when Japan is entering a full-fledged era of a declining birthrate, and aging and declining population, it is necessary to break from this trend toward a desirable future direction, form a substantial middle class, and build a sustainable social security system to prepare for the super-aging society that will continue. In order to steadily promote the measures based on Chapter 2.3 "Measures against the Declining Birthrate and Drastic Strengthening of Children's Policies," and to realize a virtuous cycle of growth and distribution by stimulating consumption among the working generation, it is extremely important to thoroughly implement wise spending through constant reforms in medical and long-term care, and to curb the rise in the insurance premium burden. For this reason, we will embody reform processes²⁵¹ to realize social security for all generations in which all generations will share and support each other according to their abilities so that necessary social security services can be provided appropriately to those who need them. Based on these, we will present a new future outlook for benefits and burdens in light of the latest projected population and changes in work styles.

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

With regard to the systems to provide medical and long-term care services, we need to further promote the differentiation of medical functions and cooperation, secure and foster medical and long-term care human resources, reform work styles, and promptly carry out reforms in response to changes in medical and long-term care needs and significant advances in digital technology, from the perspective of ensuring the systems that will enable people to receive high-quality medical and long-term care services as needed while effectively utilizing limited resources in response to the further increasing aging population and the declining population in the future.

Therefore, with the aim of halving regional differences in per-capita medical expenses, prefectures will continue to make efforts to rationalize medical expenses, such as responding to medical care where regional differences exist according to the actual conditions of each region, and promote regional medical care initiatives, including necessary legislative measures to clarify the responsibilities of each prefecture. The prefectures will also strengthen their governance²⁵², steadily

²⁵¹ Processes that include how benefits and burdens should be paid in accordance with the Efforts to Build Social Security for All Generations (Social Security System Oriented to All Generations Headquarters on December 16, 2022).

²⁵² For example, as medium-to long-term issues, the government will further examine the ideal medical care system for the latter-stage elderly, which is currently administered by the wide-area federations, and the ideal medical assistance system that includes participation of public assistance recipients in national health insurance and the medical care system for the latter-stage elderly.

promote the effective development and maintenance of systems where the primary care physicians function can work, effectively utilize the regional medical coordination promotion corporation system, ensure safe perinatal care for local delivery, promote the use of doctor helicopters, ensure emergency medical care systems, promote home nursing, and build a nationwide database of management information on medical corporations, etc. We will promote effective measures against uneven distribution of physicians, task-shifting/sharing of medical professionals, enhancement of interpersonal duties of pharmacy pharmacists, more efficiency of their objective duties, and collaboration with other occupations in each region. In this context, we will promote the continued dispatch of doctors from university hospitals to any area where there is a shortage of doctors. We will also promote the use of refill formulations through further actions by relevant parties and agencies²⁵³.

Based on the timetable ²⁵⁴ formulated by the Medical DX Promotion Headquarters, the government will provide necessary support for efforts to promote medical DX, and work as one to realize the medical DX. We will expand the use applications of the Online Confirmation System for Health Insurance Qualification by means of My Number Card and move forward with the efforts to register accurate data so as to abolish health insurance cards in the fall of 2024. We will establish a national medical information platform to share/exchange medical care-wide information, such as long-term care insurance, maternal and child health, immunizations, electronic prescriptions, and electronic medical records, in addition to health insurance claims/specific health checkup information. We will also develop and maintain a mechanism to enable individuals to check their own test results, etc., as PHR (Personal Health Record) and utilize them to promote their own health. We will also promote the secondary use of medical information for the development of new medical technologies and drug discovery and strive to reduce indirect costs at medical institutions through the Medical Service Fees Revision DX. In doing so, we will steadily implement initiatives such as the development and maintenance of systems for the development and operation of medical DX-related systems, the environmental arrangement for the nationwide spread of electronic prescriptions, the development and maintenance of standardized electronic medical records, and cybersecurity measures at medical institutions.

In order to extend healthy life expectancy and increase the labor participation of the elderly, we will intensify efforts to promote people's health and prevent occurrence and aggravation of diseases, and work on environmental arrangements

²⁵³ We will consider and implement necessary measures by insurers, prefectures, doctors, pharmacists, etc.

²⁵⁴ Timetable for the Promotion of Medical DX (Decision at the Medical DX Promotion Headquarters on June 2, 2023).

such as promoting healthcare innovation with the use of digital technology and offering follow-up support to startups in the medical care field, including digital health. We will also encourage evidence-based health services with an eye on the Third Term Data Health Plan.²⁵⁵ We will coordinate and promote rehabilitation, nutritional management and oral care. We will aggregate/use scientific evidence on general health and oral health and provide appropriate information to the public, promote initiatives for 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 institutions and between dental and medical professionals, implement measures based on the necessity of securing 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. Based on the plan²⁵⁶, we will promote measures against cancer and cardiovascular diseases, including the implementation of risk-based cancer screening for the early detection and treatment of cancer, the implementation of cancer gene panel tests at appropriate times, and the improvement of access to drugs for the treatment of childhood cancer, etc. We will also steadily promote measures for hearing loss, intractable diseases, transplant medicine²⁵⁷, chronic kidney disease, allergic diseases, mental health, nutrition, etc.

In order to develop and strengthen innovative drugs, medical devices and regenerative medicine products, and promote the conversion into R&D-oriented business models for the sake of strengthening drug discovery capabilities, we will promote further drug pricing measures, such as appropriate evaluation of innovations starting from the time of insurance listing, develop and maintain systems related to the creation of information infrastructure²⁵⁸ or related to the utilization of analysis results, such as returns to patients, by accelerating the implementation of whole genome analysis-related plans.²⁵⁹ We will also offer follow-up support to startups including those originated from universities,

²⁵⁵ We will leverage large-scale demonstration projects on policy effects of prevention, prevention of severe illness, and health promotion.

²⁵⁶ The Basic Plan to Promote Cancer Control Measures (Cabinet Decision on March 28, 2023) and the Basic Plan to Promote Cardiovascular Disease Control (Cabinet Decision on March 28, 2023).

²⁵⁷ In light of the 2018 edition of the Istanbul Declaration on Organ Trade and Transplant Tourism, which stated that "countries should strive to achieve self-sufficiency in organ donation and transplantation," we will promote transplant medicine in Japan.

²⁵⁸ Includes results of multiomics (information about comprehensive biomolecules) analysis and clinical information.

²⁵⁹ Action Plan for Whole Genome Analysis2022 (the Ministry of Health, Labour and Welfare, September 30, 2022).

strengthen Asian bases for the harmonization of clinical development and pharmaceutical regulations, organize the necessity of Japanese data to participate in international joint clinical trials, and take pharmaceutical measures and strengthen the approval review system to eliminate unapproved drugs for pediatric and rare diseases, etc. These address the problem of drug lag and drug loss. Furthermore, we will formulate a comprehensive strategy under the control tower function of the entire government so as to promote investments in new modalities and their international expansions. In order to promote such innovations in health insurance financing, we will review and examine how ideal self-pay should be for ²⁶⁰long-term listed items²⁶¹, etc. We will review cannabis-related regulations and develop the environment needed for the use of cannabis-derived drugs. We will also promote self-medication by the consideration of expanding access to OTC drugs and OTC in-vitro diagnostic drugs, promote the use of biosimilars, secure a stable supply of generics and other drugs based on medical needs, review the industrial structure for generics, and strengthen the approval review system to encourage the practical application of SaMD (Software as Medical Device). In addition, we will encourage research and development of dementia treatment in line with the ongoing comprehensive dementia measures. We will strive to make the people deepen their understanding²⁶² of blood donation and promote self-sufficiency, stable securing and proper use of blood products²⁶³ in Japan.

As the population is expected to be rapidly aging, we will promote cooperation among medical institutions, encourage long-term care service providers to adopt nursing care robots and ICT equipment, to collaborate and get larger in size, and to visualize their business conditions in light of the status of their assets. And then, we will work on raising their wages and reducing the workload appropriately²⁶⁴. In order to curb the rise in long-term care insurance premiums, we will examine how to refine the framework in which users whose income is above a certain level are required to shoulder higher charges, and reach a conclusion by the end of the

²⁶⁰ While Japan's pharmaceutical expenditures as a percentage of GDP are higher than those of other developed countries, the share of such domestic sales in the world's prescription drug sales has been declining. Under these circumstances, we need to intensify efforts including the consideration on ideal medium- and long-term drug expenditures, from the perspective of both reducing the burden on the public and promoting innovation.

²⁶¹ Replacements by generic drugs are expected to reach about 80% in volume terms, but about 40% in value terms, a low level compared to other countries.

²⁶² Includes promotion of understanding of blood donation at elementary and junior high school.

²⁶³ Blood products for transfusion and plasma fractionated products such as globulin and fibrinogen.

²⁶⁴ Efforts to Improve the Working Environment for Long-Term Care Workers (Decision at the Headquarters to Build Social Security for All Generations on December 23, 2022) stipulates that in order to reduce overtime and improve salaries of frontline workers, it is necessary to improve management and productivity by adopting nursing care robots and ICT equipment, making management more visible, simplifying administrative procedures and attachments, and digitizing administrative procedures in principle. Accordingly, we will intensify these efforts.

year²⁶⁵. We will put in place the environment for encouraging the elderly to use the services not covered by long-term care insurance.

With regard to employment placement in the medical and long-term care fields, the relevant organizations will work together to strengthen the public employment placement function. They will also provide guidance and supervision, and disseminate relevant cases, aiming to make fee-charging employment placement services reasonable.

In the next simultaneous revision of medical fees, long-term care fees, and disability welfare services, etc., we will take into account the rising prices and wages, the state of management, the need to secure human resources in the face of the declining number of supporters, and the impact on user/patient charges and insurance premiums, and will take necessary measures so that patients and users can receive the services they need. In doing so, with a view to building a sustainable social security system, we will take into account the "Guiding Principles in Budget Formulation for FY2024"²⁶⁶ in 2 of Chapter 5 and examine how to address the above-mentioned issues in the medical and long-term care fields as well as the collaboration issue among the medical, long-term care and disability services in order to further promote the Community-based Integrated Care System for the immediate future from the perspective of addressing them effectively and efficiently.

In order to realize universal health insurance for all workers and build a social security system that is neutral in terms of how people work regardless of age or gender, we will consider expanding the coverage of employees' insurance to short-time workers, such as the elimination of corporate size requirements and the elimination of non-applicable industries for sole proprietorships that regularly employ five or more workers, so as to revise the pension system in the next term. In addition, as an immediate response to the so-called annual income threshold, we will, by the end of this fiscal year, formulate and implement measures to support initiatives that do not cause a reversal in take-home pay even if the employee's annual income newly exceeds the 1.06 million yen threshold, and then we will review the system.

3. Development of infrastructure that enhances productivity and supports

²⁶⁵ Opinion on the Review of the Long-Term Care Insurance System (Social Security Council, Long-Term Care Insurance Subcommittee on December 20, 2022) stipulates that we should reach a conclusion on the criteria for determining income above a certain level for such users to shoulder more charges, as well as the ideal form of the No. 1 insurance premium and how room fees for multi-bed rooms should be shouldered, so as to prepare for the next long-term care insurance business plan starting in fiscal 2024.

²⁶⁶ The Basic Policy on Economic and Fiscal Management and Reform 2021 cited in Chapter 5, 2 (2) states that the relevant policy on social security-related expenses is to be continued during the foundation-strengthening period in light of economic and price trends.

the economy and society

We will accelerate infrastructure DX to enhance productivity by promoting i-Construction through the spread and expansion of ICT construction and BIM/CIM²⁶⁷ among small and medium-sized construction companies, sophisticating management through drone sensor networks, etc., making open infrastructure data available and linking up such data through MLIT DATA PLATFORM, and promoting online administrative procedures.

We will promote full-scale conversion into preventive maintenance and the subsequent sophistication/efficiency as well as the optimization of public stock by implementing wide-area and strategic infrastructure management, and promoting the use of new technologies and digital technologies. We will examine how specific methods²⁶⁸ should be so that each region can intensify its efforts for wide-area and strategic infrastructure management. We will also utilize the existing state-owned property effectively. In addition, from the viewpoint of the burden on beneficiaries and appropriate maintenance and management, the government will consider financial resource measures, etc. With regard to expressways, which are important and essential roads in Japan, we will certainly implement their renewal projects,²⁶⁹ etc., with the revised Act, etc.

With regard to measures for vacant houses, in light of the importance of such measures in terms of disaster preparedness, we will strive to curb the occurrence of vacant houses, or otherwise utilize and properly manage them or demolish them in a comprehensive manner, in accordance with the revised Act,²⁷⁰ etc. Based on the Basic Policy²⁷¹, etc., we will promote measures for unclaimed land, including cadastral surveys and mapping by the Legal Affairs Bureau²⁷². We will also move forward with the measures for vacant houses and the measures for unclaimed land in an integrated and comprehensive manner²⁷³. In addition, we will work to extend the life of condominiums and facilitate their regeneration.

²⁶⁷ Abbreviation for Building/Construction Information Modeling and Management. It is designed to make the data utilization/sharing easier for related parties by adopting three-dimensional models as well as making a series of project-wise construction production and management systems more efficient.

²⁶⁸ Methods for promoting effective management by regarding the wide-area, multi-sector and multi-sector infrastructures as a group based on certain concepts.

²⁶⁹ The Act for Partial Revision of the Act on Special Measures concerning Road Construction and Improvement and the Act on the Japan Expressway Holding and the Debt Repayment Agency, Independent Administrative Agency (Act No. 43 of 2023).

²⁷⁰ Act for Partial Revision of the Act on Special Measures for Promotion of Measures for Vacant Houses (Act No. 50 of 2023).

²⁷¹ Basic Policy on Promotion of Measures for Unclaimed Land (Decision at the relevant ministerial meeting to promote measures against unclaimed land, etc., on June 6, 2023).

²⁷² For example, we will strengthen the relevant measures such as dissemination to the people, public relations activities, and the strengthening of the consultation system in order to lay the groundwork for making inheritance registration a mandatory application pursuant to the 2021 amendment of basic civil laws.

²⁷³ Taking into account the future expansion of the use of Individual Number and the enforcement status of the revised Real Property Registration Act (Act No. 24 of 2021), we will also consider linking such registrations to Individual Number.

We will work to ensure stable water supply by maintenance or recovery of a sound water cycle. In parallel, with regard to the water supply/management administration, we will move forward with comprehensive water administration²⁷⁴, in part of which we will build a system for integrated water and sewerage management²⁷⁵ and strengthen such functions, in accordance with the revised Act²⁷⁶.

In order to contribute to expanding domestic investment, improving productivity and strengthening disaster response capabilities, etc., we will focus on the projects with high stock effects while improving the objectivity and transparency of cost-benefit analysis.

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-through, continue to secure the necessary business volume, run through effective PDCA cycles, and steadily improve infrastructure.

In order to realize a sustainable construction industry, we will strive to raise wages, and will secure and foster human resources to support the construction industry by addressing price changes in construction materials, improving their treatment through means including the utilizing of the Construction Career Up System, ensuring proper payment of wages to field technicians, ensuring safety management in construction work, and the like²⁷⁷.

Based on the revised Action Plan²⁷⁸, we will move forward with our efforts for PPP/PFI²⁷⁹, which will provide public services efficiently and effectively, with a view to achieving the target number of projects and even revising up it in each priority area²⁸⁰. While continuing to support the commercialization of public facility, etc. operating projects, etc. in priority areas such as airports, stadiums/arenas, and cultural facilities, we will explore new areas, including renewable energy fields that

²⁷⁴ In parallel, we will promote the use of wastewater treatment facilities, including Johkasou, based on local conditions.

²⁷⁵ Includes the development of systems such as the Regional Development Bureau, which is responsible for field support.

²⁷⁶ Act on Coordinating the Relevant Acts to Enhance the Functionality of Government Administration Relevant to Environmental Health and Other Such Matters (Act No. 36 of 2023).

²⁷⁷ We will also consider improving the treatment of real estate appraisers who support public appraisals.

²⁷⁸ PPP/PFI Promotion Action Plan (2023 Revised Edition) (Decision at the Private Finance Initiative Promotion Council on June 2, 2023).

²⁷⁹ Abbreviation for Public Private Partnership / Private Finance Initiative: a method of utilizing private funds and know-how for the construction, maintenance and operation of public facilities. The priority execution period is fiscal 2022 to 2026 in order to form a foundation for autonomous deployment at an early stage.

²⁸⁰ In addition to the previous total target of 70 projects in priority areas, we have set a new total target of 575 projects by fiscal 2031.

will contribute to GX, in which we will endeavor to create projects. We will establish schemes such as small concessions²⁸¹, LABV²⁸² and water PPP²⁸³, which has an eye to centralizing control of water and sewerage. We will strive to expand the scope of such utilization. To establish and spread the utilization of local PFI that will contribute to local communities and their economy, we will work to expand and enhance local platforms, while also utilizing the functions of Private Finance Initiative Promotion Corporation of Japan.

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

Given the progress of DX across society as a whole and the challenges faced in dealing with infectious disease, we will consider how the necessary local government system should be from the perspectives of appropriately adapting to a post-COVID-19 economy and society, while keeping in mind potential legislation. Specifically, through the investigations and deliberations of the Local Government System Research Council, we will clarify the division of roles between the national and local governments and between local governments, including metropolitan areas such as the Tokyo area, and consider measures to enhance the effectiveness of their collaboration/cooperation.

In considering systems related to local governments, the ministries and agencies first consider forms other than planning in order to promote efficient and effective planning administration through the national and local governments. On that basis, if the national government considers that the planning must be followed, it shall explain it in advance to the six local governments, making an effort to gain their understanding. With regard to existing plans, the national government will carry out the integration/consolidation, reduce administrative burdens, and announce annually the progress status of the review. Before the ministries and agencies give an explanation to the six local governments, the Cabinet Office will provide necessary support to the ministries and agencies in response to the prior-consultation from them. Based on the progress status and emerging issues, the Cabinet Office will urge the ministries and agencies to take necessary actions.

We will restore the normal expenditure structure of local public finance in light of the change in the status of COVID-19 in the Infectious Diseases Act. With regard to the Temporary Grants for Regional Revitalization, which were provided in response to the COVID-19 pandemic, we will thoroughly visualize the details of

²⁸¹ Small-scale concessions and other projects to revitalize local communities by utilizing existing stock such as vacant houses.

²⁸² 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.

²⁸³ i) Public facility, etc. operating projects in the three water supply fields of water supply, sewerage, and industrial water, and ii) Public Private Partnership (PPP) system for the step-by-step shift to such projects.

these grants and verify their effectiveness and efficiency, with an eye to utilizing such verification work for the preparedness for future crises.

As the overconcentration of functions in Tokyo has been persisting, we will endeavor to build a stable local taxes system with less uneven tax source distribution, in light of the uneven distribution status of tax revenues among local governments and the adjustment status of the gaps among their financial capability, in order to prevent an excessive gap in administration services among local governments from being generated.

We will steadily implement administrative and fiscal reforms in local governments in line with the reform timetable, such as increasing the operational efficiency of local governments through the use of digital technology and further promoting the revision of management strategies of public enterprises.

5. Promotion of education and research activities that support economic and social vitality

(Revitalization of high-quality public education, etc.)

With a view to creating a sustainable society and in light of the diverse characteristics of children and the rapidly 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 behind²⁸⁴. To this end, we will strive to enhance the quality of education with the aim of revitalizing world-renowned, high-quality public education in Reiwa so that people can entrust their children's education with peace of mind. As part of such efforts, we will take into consideration the optimal combination of real and digital in the education DX²⁸⁵, promote the PDCA cycle with emphasis on objective grounds²⁸⁶ based on the Basic Plan for the Promotion of Education²⁸⁷, etc., and pursue the realization of both independently adjustable personalized and self-regulated learning and collaborative learning.

We will make every effort to find and secure highly qualified teachers with aspirations by enhancing the appeal of the teaching profession. Based on the results of the Teachers' Workloads Diary Survey, we will further accelerate work-style reforms, improve treatment, expand and enhance the instruction systems²⁸⁸,

²⁸⁴ Includes both acquired factors such as self-affirmation and relationships-based collaborative factors such as human connection, as well as well-being for teachers, etc.

²⁸⁵ Refers to the effective and efficient promotion of educational activities and school management using digital technology and the creation of new values.

²⁸⁶ Includes the use of educational data.

²⁸⁷ Cabinet Decision on June 16, 2023.

²⁸⁸ Includes the expansion and enhancement of the system of special support services in resource rooms through efficient peripatetic guidance and the promotion of securing and utilizing diverse support staff.

and provide training support²⁸⁹ in an integrated manner so that teachers can focus on their main duties with peace of mind and face children with high morale and pride. We will specifically examine how to enhance the effectiveness of the guidelines that set an upper limit on overtime hours for teachers to stay at school²⁹⁰, and encourage the optimization²⁹¹ of duties undertaken by schools and teachers, such as fostering understanding across society as a whole through the use of community schools, etc., and abolishing some duties in a non-conventional manner. Taking into consideration the special nature of the teaching profession, which has a high degree of professionalism and discretion as well as the noble mission of nurturing children who will usher in the future of our country, the purpose of the Act on Securing Human Resources²⁹², and the urgent need to resolve the teacher shortage, we will specifically examine how the relevant systems, including the legal framework of the Act on Special Measures Concerning Salaries²⁹³, etc., should be designed, and will fundamentally review the treatment of teachers so that teachers who truly do their best can be rewarded. As part of such efforts, we will improve the salary system toward a well-defined one according to job details and responsibilities, such as reviewing the level of additional adjustments for the teaching profession and various allowances, including the creation of new allowances. We will create desirable educational environments and instruction systems for junior high and other schools, utilizing the verified multifaceted effects achieved in 35-student elementary school classes. We will proceed with these measures in a planned and phased manner with a sense of speed by designating three years from fiscal 2024 as an intensive reform period in order to respond appropriately to increasingly complex and diverse issues amid the progress of the declining birthrate, while also securing stable financial resources. As part of such efforts, we will promptly strengthen the subject-based teacher assignments for late elementary grades and expand the assignment of teachers' work support staff to elementary and junior high schools from fiscal 2024. We will also consider submitting a proposal to revise the Act on Special Measures Concerning Salaries within fiscal 2024.

With regard to the GIGA School Program, while taking care of the importance of

²⁸⁹ Refers to the promotion of integrated reforms that include the licensing system reform to build a group of teachers and other school staff with diverse expertise such as strengths in psychology, welfare and other specific fields, the review of teacher training courses and setup of regional quotas by universities and boards of education, agile examination of support for scholarship repayment, the training and recruiting of teachers, including the use of special licenses, and the sophisticated training and training opportunities, including the enhancement of career development and learning for highly skilled professionals, including those who have left their jobs for a long time.

²⁹⁰ Within 45 hours per month, etc.

²⁹¹ Includes visualizing work-style reform efforts and improving operational efficiency through school work DX.

²⁹² Act on Special Measures to Secure Educational Staff in Compulsory Education Schools for the Maintenance and Improvement of Standards of School Education (Act No. 2 of 1974).

²⁹³ Act on Special Measures Concerning Salaries, etc., of Educational Personnel in Public Compulsory Education Schools, etc. (Act No. 77 of 1971).

interaction between people, the development stages of students, the personal information protection, and the health management, etc., we will earnestly pursue the elimination of disparities due to the family environment, utilization status and leadership skills, as well as the creation and development of desirable cases by offering thorough follow-up support more intensively by promoting the setting up of GIGA school management support centers throughout the country and strengthening their functions, in order to make the use of ICT²⁹⁴ routine toward the next phase, including the development of the surrounding environment, and to lead to the further promotion of education in which no one is left behind, the transformation of learning by fostering the ability to use information, and the improvement of school affairs. We will steadily promote the renewal of devices provided as “1 device for 1 student” under the GIGA School Program, which have been promoted as a national policy, as essential tools for public education while examining the status of sustainable utilization plans²⁹⁵ concerning maintenance and renewal of devices by each local government.

We will more intensively develop diverse learning environments where students can learn flexibly and with peace of mind. To foster non-cognitive skills, we will qualitatively improve education and childcare in early childhood and the transition period between early childhood education and care setting and elementary school, and promote cultural/artistic, sports and experiential activities such as nature experiences as well as reading activities that foster sensibility and creativity. We will promote food education with nutrition teachers at its core. While accelerating the introduction of community schools through collaboration with communities based on the idea of a team school where related institutions and adults with diverse expertise in local communities and other social settings work together to provide meticulous education, we will enhance special needs education²⁹⁶ by effectively utilizing ICT, dealing with non-attendance at school, serious bullying and suicide of students in collaboration with NPOs, etc., supporting students with special talents, and building an inclusive school management model. In doing so, we will promote the nationwide establishment of special schools for non-attendance at school²⁹⁷, educational support centers²⁹⁸ in and out of schools and Evening Classes at Junior High Schools and strengthen their functions, promote the support organization for young teachers, encourage the assignment of SC/SSW²⁹⁹, etc. We

²⁹⁴ Includes digital textbooks, teaching materials, software, EdTech and MEXCBT.

²⁹⁵ Based on the Comprehensive Economic Measures for Developing a Future of Security and Growth (Cabinet Decision on December 5, 2019).

²⁹⁶ 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.

²⁹⁷ We aim to establish at least one school in each prefecture and ordinance-designated city as soon as possible, and 300 schools, including branch class-type ones, nationwide in the future.

²⁹⁸ Includes special support rooms.

²⁹⁹ SC: School Counselor, SSW: School Social Worker.

will develop an environment in which these specialists and police can be consulted at any time, and take early systematic measures,³⁰⁰ including cooperation with welfare³⁰¹. We will promote school safety that incorporates the concept of safety promotion schools³⁰² while working on environmental arrangements³⁰³ to realize learning in a new era³⁰⁴, including the promotion of career and vocational education³⁰⁵ in collaboration with industrial circles, strengthening measures to curb physical decline and vision decline, shifting school club activities to community collaboration or community club activities³⁰⁶, and enhancement of overseas educational facilities³⁰⁷.

We will steadily reduce the burden of higher education expenses while securing stable financial resources so that everyone can learn regardless of the financial situation of the household. From fiscal 2024, we will expand the scope of eligible persons for tuition reductions and benefit-type scholarships to children in multi-child households and science, engineering and agriculture students in middle-income households, further examine how to establish and fully implement a tuition deferred payment system at the master's level of graduate schools, and expand the reduced return system for loan-type scholarships by increasing the flexibility of annual income requirements. We will also consider and take necessary measures to expand support for tuition reductions and exemptions for students in multi-child households, based on the status of enforcement and financial resources, etc. We will promote diverse support efforts for students, such as support for local governments and companies that support scholarship repayment, and disseminate the relevant information to all concerned, including at the elementary and secondary education levels.

³⁰⁰ Includes early detection of signs using terminals, support for parents such as parents' associations or push-type support using data linkage, legal measures to encourage the reflection of learning results outside classrooms, and visualization of school culture.

³⁰¹ Based on the Measures for Non-Attendance at School for Guaranteeing Learning Where No One Is Left Behind (COCOLO Plan) (Decision by the Minister of Education, Culture, Sports, Science and Technology on March 31, 2023).

³⁰² Refers to schools certified as continuing to practice and improve school safety by structurally and systematically collaborating with local communities.

³⁰³ Includes the strengthening of disaster prevention functions and longer service life/decarbonization renovations that integrate improvements to the educational environment with countermeasures against deterioration, and planned and efficient development initiatives such as efforts to eliminate the shortage of classrooms at special needs education schools.

³⁰⁴ Includes the fundamental strengthening of STEAM education and entrepreneurship education, including exploratory learning and programming from the elementary and secondary education levels, and the promotion of creative education such as digital manufacturing at the compulsory education level.

³⁰⁵ Efforts at vocational high schools, upper secondary specialized training schools, and the like.

³⁰⁶ Includes securing school club activity instructors and other relevant leaders, developing systems for governing bodies and implementing entities, including the assignment of coordinators, and working on environmental arrangements in light of issues such as support for shouldering participation costs.

³⁰⁷ The purposes are to ensure the learning of children of Japanese residents abroad, to develop a learning environment that is equivalent to that in Japan, and to enhance education that is unique to overseas education facilities.

(Construction of a mechanism to enhance the quality of research, etc.)

We will implement the Sixth Science, Technology and Innovation Basic Plan³⁰⁸, etc., and sector-specific strategies to bring about a sustainable economy and society through public-private partnerships³⁰⁹. Pursuing the creation of disruptive innovations while also unflinchingly reviewing a multitude of complexed research funds, we will further enhance and encourage R&D subsidy programs³¹⁰ that tolerate initial failures and seek long-term results while steadily evaluating stage gates, etc. We will carry out integrated reforms of education, research, and governance, incorporate greater variation into the allocation to universities, unflinchingly conduct verifications, and rationalize university operational works so as to increase the number of young researchers, tenure track positions, and so on. Aiming to improve the quality and productivity of research, we will improve internationality, encourage the smooth migration of human resources, promote the strategic improvement, utilization and sophistication of large-scale research facilities through joint public-private schemes, etc.³¹¹, advance research DX inclusive of the utilization of information infrastructure, and promote work-style reforms for medical doctors, in university hospitals while ensuring the quality of education, research, and medical care functions in these hospitals³¹². We will accelerate our standard utilization strategies to apply R&D results in society and to acquire international markets.

With regard to the review of the Science Council of Japan, taking into account the past history, we will discuss the idea of establishing a corporation independent of the national government, and will come up with a conclusion promptly.

³⁰⁸ AI, biotechnology, quantum technology, materials, environmental energy, safety/security, health/medical care, space, oceans, food/agriculture, forestry and fisheries are positioned as strategically important fields in the Sixth Science, Technology and Innovation Basic Plan (Cabinet Decision on March 26, 2021). We will also pursue efforts in accordance with the Fusion Energy Innovation Strategy and the Action Plan for Promotion of Production and Utilization of Medical Radioisotopes.

³⁰⁹ Includes the systematic appropriation of science and technology budgets and the efficient use of funds.

³¹⁰ Includes the Moonshot Research and Development Program, and Fusion Oriented Research for Disruptive Science and Technology (FOREST).

³¹¹ Includes international facilities that will lead the world's academic frontiers in fields such as biology/medicine, particle physics, astronomy, and informatics.

³¹² Includes sharing facilities, equipment and devices, promoting the use of domestic quantum computers, including combinations with supercomputers, promoting the integrated reform of competitive research funding to increase the flexibility of research activities, including Promotion funding the Grants-in-Aid for Scientific Research (KAKENHI), and promoting the use of management and support personnel to support research.

Chapter 5 Immediate Economic and Fiscal Management and Approach to Fiscal 2024 Budget Preparation

1. Economic and fiscal management for the immediate future

The Japanese economy has been slowly recovering as economic and social activities have normalized since the COVID-19 pandemic. On the other hand, we need to pay close attention to the downside risks to overseas economies caused by global price hikes and the corresponding monetary tightening in various countries, and the impact of fluctuations in financial and capital markets on the Japanese economy.

In this economic environment, with regard to economic and fiscal management for the time being, we will take all possible measures to address downside risks to the Japanese economy due to the current high prices and the slowdown in the global economy, while working to achieve a virtuous cycle of sustainable growth and distribution by enhancing domestic investment and promoting research and development to increase productivity, and by ensuring markup rates through price pass-through to raise wages as "two wheels of a car."

For this reason, we will do our utmost to promptly and steadily implement the Comprehensive Economic Measures to Overcome High Prices and Realize Economic Revitalization³¹³ and the fiscal 2022 second supplementary budget that embodies these measures, the additional measures on energy, food and other items compiled by the Headquarters for the Comprehensive Measures for Prices, Wages and Livelihood, as well as the fiscal 2023 budget, while flexibly responding to price and economic trends in the future as well. At the same time, we will work to realize a structural wage increase by drastically strengthening investment in people, facilitating labor mobility, and strengthening price-pass-through measures, including labor costs, as well as to increase the potential growth rate by implementing public-private partnership investments in the priority areas outlined in the Basic Policy.

2. Guiding principles in budget formulation for FY2024

- 1) Based on the situational awareness described above, we will strengthen the economic structure to realize sustainable growth and put the Japanese economy on a path of full-scale economic recovery and new economic growth.
- 2) We will steadily promote integrated economic and fiscal reforms in the budget for FY2024 based on this Basic Policy, the Basic Policy on Economic and Fiscal Management and Reform 2022, and the Basic Policy on Economic and Fiscal

³¹³ Cabinet Decision on October 28, 2022.

Management and Reform 2021.

However, this should not lead to narrowing the range of available options for important policies.

- 3) We will formulate a well-defined budget by taking necessary budgetary measures for important policy issues, such as realizing structural wage increases, expanding investment through public-private partnerships, accelerating new capitalism, for which measures include those to combat the declining birthrate and drastically strengthen child policies, and responding to the changing environment surrounding Japan such as the fundamental strengthening of national defense capabilities.
- 4) We will promote PDCA and EBPM efforts, including policy issues that require new expansion, and ensure effective and efficient spending (wise spending). We will work to correct the harmful effects of the single-year budget principle, and promote sustainable economic and fiscal management and the construction of a social security system from a medium- to long-term perspective, including the use of funds in accordance with the nature of projects, the visualization of project effects, and addressing key issues in integrated economic and fiscal reforms.