

Provisional Translation

Basic Policy on Economic and Fiscal Management and Reform 2024

June 21, 2024
Cabinet Decision

The content of the Basic Policy on Economic and Fiscal Management and Reform 2024 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal
Management and Reform 2024

- Realizing a growth-oriented economy driven
by wage increases and investments -

June 21, 2024

Basic Policy on Economic and Fiscal Management and Reform 2024

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Chapter 1 Transition to a New Stage: Growth-Oriented Economy

1. For a complete end to deflation

Japan currently faces a historic opportunity to completely end its deflationary situation and achieve a growth-oriented economy. The labor-management negotiations this year delivered the highest wage increases in 33 years, since 1991. Current corporate capital investment has reached a record high. The top priority for Japan's economic and fiscal management now is to extend these positive developments to small and medium-sized enterprises (SMEs) and regional economies, prevent the economy from falling back into deflation, and transition Japan's economy from a phase of continuous cost-cutting to a new stage of growth.

The Kishida Cabinet, under the banner of "New Form of Capitalism," has aimed to achieve a "virtuous cycle of growth and distribution" and a "virtuous cycle of wage and price increases." To this end, the government, in cooperation with the Bank of Japan, has conducted appropriate macroeconomic management and promoted initiatives such as public-private collaboration programs to increase wages and investments to address social challenges and drive growth. This concept of New Form of Capitalism serves as the foundation for transitioning to a new stage of the economy. After 30 years of stagnant wages and deflation, these policies have sparked increases in both wages and prices. Consequently, expectations for corporate growth and prospects of investment have increased. Now is the time to turn these expectations for the Japanese economy into reality.

The current trend of a weaker yen in the foreign exchange market and an inflation rate higher than wage growth is hindering robust consumer spending. However, despite remaining risks such as downturns in the global economy, wage growth is expected to eventually outpace inflation as moderate economic recovery continues.

The key to transitioning the economy to a new stage lies in leveraging wage increases to achieve income and productivity growth. Firstly, it is crucial to extend the momentum of robust wage increases achieved in this year's spring labor-management negotiations to sectors beyond those covered by the negotiations, such as small and medium-sized enterprises (SMEs) and regional economies, ensuring wage growth that exceeds inflation and establishing this trend. Then, with moderate inflation, increased consumption supported by wage hikes and expanded investments would enhance corporate earnings, which in turn benefit households, leading to further consumption growth. Companies could use the increased profits as capital to further invest in growth areas, thereby enhancing their productivity and earning power. That would enable smooth labor mobility to growth areas, ultimately realizing a virtuous cycle that generates new growth.

At the same time, both the public and private sectors must collaborate and make

investments aimed at solving societal issues and achieving sustainable economic growth. Strategic investments should be promptly made, with a long-term perspective, in fields such as green initiatives, digital transformation, science and technology innovation, frontier exploration, and economic and energy security, among others. Human and financial capital, along with other resources, should be concentrated in these growth areas as this would help enhance the productivity of the Japanese economy as a whole and transition it to a new, growth-oriented stage of the economy.

This year's spring labor-management negotiations resulted in a robust trend of wage increases, partly owing to several initiatives, including activities to disseminate guidelines for passing labor costs onto product prices. To support disposable income and ensure an increase in income that exceeds the rise in prices, the government will implement various additional measures. As part of these efforts, the government has introduced several initiatives, such as flat-amount cut of personal income tax and individual resident tax starting from June this year. To sustain this momentum in the coming years, the government will employ all possible policies to support wage increases, ensuring that each citizen can feel the benefits in their daily lives. To ensure appropriate price pass-through across the entire supply chain, including industries with multi-layered transactional structures, both the public and private sectors will further strengthen their efforts. They will collaborate to help businesses enhance their earning power and establish a trend of wage increases that exceed inflation in the years ahead.

To establish a trend of wage increases, the government will work on price pass-through measures tailored to the realities of different industries and sectors, including smoothing the transfer of labor costs onto product prices and implementing bold reforms of business practices. Additionally, we will provide detailed support for wage increases in sectors such as healthcare and welfare and raise the minimum wage. Furthermore, the government will pursue trinity labor market reforms, focusing on strengthening reskilling and upskilling efforts targeting all generations. Alongside these efforts, the government will promote the introduction of job-based personnel management (job-based pay) tailored to the circumstances of individual companies and shift the direction of employment policies from job retention towards facilitating labor mobility into growth sectors.

To help businesses enhance their earning power, the government, as a way to deal with labor shortages, will support initiatives such as digitalization and investment in automation, which should come with improvements in their performance. As a way to sustainably increase productivity, we will also support SMEs in their initiatives to invest in equipment, expand their markets, and pursue overseas expansion. The government will also work to promote investments

through public-private collaboration to solve social issues such as GX and economic security, implement digital technologies, explore new frontiers like space and oceans, and attract human and financial resources from overseas as part of efforts to sustainably expand domestic investment in growth sectors and improve the overall productivity of the economy.

On March 19, the Bank of Japan changed the monetary policy framework, including the negative interest rate policy and the yield curve control, thereby ushering Japan into a new phase of monetary policy. To achieve sustainable economic growth driven by private demand under stable inflation, the government will continue to closely cooperate with the Bank of Japan and flexibly manage macroeconomic policies in response to economic and price conditions.

The government will implement structural reforms to enhance competitiveness and growth potential, while steadfastly advancing measures to establish a sustainable fiscal structure. At the same time, we expect the Bank of Japan to achieve the price stability target of 2 percent in a sustainable and stable manner, while confirming the virtuous cycle between wages and prices, by conducting appropriate monetary policy management in light of economic activity, prices and financial conditions.

Through these initiatives, the government aims to eliminate the long-standing deflationary mindset among the public and foster a widespread awareness that wage and price increases are normal, thereby fully ending deflation and transitioning the economy to a new stage.

The Council on Economic and Fiscal Policy will continue to conduct regular reviews of economic and fiscal conditions, including trends in wages, income, and prices, the status of macroeconomic policy management, including monetary policy, and progress in economic structural reforms.

2. Toward a sustainable economy and society in which people can feel prosperous and happy

The declining population, a significant factor contributing to the current labor shortage, is expected to accelerate in the 2030s. Assuming that the productivity growth rate remains stagnant without improvement and that labor force participation and the birth rates fail to increase sufficiently, the Japanese economy risks falling into a prolonged period of low growth, where the potential growth rate could hover near zero for an extended period.

In order to achieve long-term economic growth amidst anticipated future population decline, Japan must enhance productivity, expand labor force participation, and improve birth rates to increase potential growth as this should help create an economy where sustained income growth occurs through a virtuous

cycle of growth and distribution. Through initiatives aimed at achieving this, both public and private sectors should aspire to the mission of creating a sustainable economic society where citizens can experience prosperity and happiness by overcoming aging and population decline. Under this mission, they must unite their efforts to generate the dynamism for economic growth and ensure a decisive transition of the Japanese economy to a vibrant new stage, rather than merely maintaining the status quo.

To ensure the sustainability of Japan's economy, public finances, and social security amidst the accelerating population decline expected from the 2030s onward, it is crucial to maintain economic growth consistently exceeding 1% in real terms. We aim to achieve even higher growth rates. To achieve this goal, it is necessary to implement measures to enhance Japan's growth potential, including expanding investments such as DX and GX initiatives, raising productivity to levels comparable to those in Europe and the United States¹, continuing the upward trend in the labor force participation rate among the elderly, and promoting regular employment for women. These efforts are already underway. Once the economy reaches this state, an economic scale of some 1,000 trillion yen in nominal terms would be within reach by around 2040 while achieving the price stability target of 2 percent in a sustainable and stable manner.

The period until FY 2030, when the population decline will significantly advance, offers the last chance to initiate a transformation to this economic structure. From this perspective, the government, based on the Economic and Fiscal Plan for New Stage² outlined in Chapter 3 of this Basic Policy, will use backcasting from the Five Visions for Advancing to a New Stage stated below to implement intensive efforts, including necessary institutional reforms, in principle over the next three years.

(Solving social challenges as a driver for raising productivity and expanding growth opportunities)

Viewing the declining population as an opportunity, we will promote innovation through the widespread social implementation of DX and new technologies as well as the development of frontiers and, at the same time, work to accelerate the flow

¹ The Cabinet Office released the Long-Term Projections for the Economy, Public Finances, and Social Security (hereinafter "Long-Term Projections") as reference material for a meeting of the Council on Economic and Fiscal Policy held on April 2, 2024. The "Long-Term Stability Scenario" in the Long-Term Projections assumes that the TFP (total factor productivity) growth rate will rise to around 1.1%. This growth rate is at the same level as the average TFP growth rate projected by the U.S. Congressional Budget Office (CBO) for the forecast period of 2024-2034.

² The government previously established the Economic and Fiscal Revitalization Plan for the period from 2016 to 2020, based on the Basic Policy on Economic and Fiscal Management and Reform 2015 (decided by the Cabinet on June 30, 2015), as well as the New Economic and Fiscal Revitalization Plan for the period from 2019 to 2025, based on the Basic Policy on Economic and Fiscal Management and Reform 2018 (decided by the Cabinet on June 15, 2018, hereinafter "Basic Policy 2018"). Through these plans, the government has been carrying out integrated economic and fiscal reforms.

of talent and capital into growth sectors to enhance productivity and increase supply capacity. We will also cultivate demand by addressing social challenges such as decarbonization, economic security, healthcare improvements, and population decline and aging. Additionally, we will create and expand new markets by generating high-value solutions using next-generation technologies and new business models, thereby fostering an economic structure driven by private-sector demand. To support growth on both the supply and demand sides as described, both the public and private sectors should be more active in increasing domestic investment, thereby shifting the corporate sector from a surplus of savings to a surplus of investments. Additionally, we will create an ecosystem that supports the activities of new players, including startups engaged in the social implementation of new technologies, as well as social businesses and NGOs.

(Achieving a society with a high level of well-being that provides everyone with opportunities to reach their full potential)

In addition to generating demand, we will establish structural wage increases across society, ensuring that households can continuously experience the benefits of growth through rising disposable income. Alongside this, we will build a social security system for all generations. Primarily through investment in people, we will create a society where anyone with the aspiration to contribute can do so freely and flexibly, regardless of age or gender. Furthermore, we will improve the income of younger generations to ensure they can confidently pursue marriage, childbirth, and child-rearing. We will also promote health awareness, enabling them to work according to their career plans and expand their lifetime earnings, thereby realizing latent spending needs. By expanding and solidifying these virtuous cycles of wages and prices and growth and distribution, we will achieve a society with high well-being where people can live with great hope.

(Ensuring the sustainability of the economy, public finances, and social security)

With a continuously growing proportion of elderly people, the population aged 75 years and older, as well as those aged 85 years and older, who have significant impacts on healthcare and caregiving costs, are expected to increase steadily over the long term, while the working-age population is projected to decline. In this context, we will advance integrated reforms in the economy, public finances, and social security systems, ensuring their coordinated advancement to secure the sustainability of the economy and society.

Achieving sustainable economic growth and establishing a virtuous cycle of growth and distribution mentioned above contribute to improving public finances and balancing benefits and burdens in social security. Social security also plays a

crucial role in supporting the positive cycle of growth and distribution through contributions to achieving a society where people can lead healthy and active lives throughout their lifetimes, ensuring peace of mind through safety net functions and thereby boosting consumption, and restraining increases in the insurance burden to expand disposable income. Furthermore, ensuring the balance between benefits and burdens is essential for fiscal soundness. For public finances, rigorously implementing wise spending (effective and efficient expenditure) through evidence-based policy making (EBPM), enhancing economic growth through cooperation between the public and private sectors to promote investment and other initiatives, and securing fiscal credibility provides crucial foundations supporting economic growth driven by private-sector demand.

We must advance reforms in line with the direction stated above to achieve sustainable economic growth exceeding 1% in real terms even beyond the 2030s, when population decline worsens, and continue addressing ongoing reforms to restrain the rising trend of healthcare and long-term care expenditures as a percentage of GDP, while maintaining a certain level of surplus in the primary balance over the long term. This approach will enable us to ensure the long-term sustainability of the economy, public finances, and social security. We will backcast from the long-term goals described above when proceeding with mid-term economic and fiscal management.

(Forming sustainable local communities by capitalizing on their unique characteristics and growth resources)

Demographic changes will vary across municipalities and regions; from now until 2050, urban areas will see an increase in the elderly population, while rural areas will experience worsening population decline. Owing to aging, many public facilities and infrastructure will reach their renewal cycles simultaneously. Further progress in population decline will exacerbate shortages in the local workforce and increase costs per capita for maintaining public services. In some regions, individual municipalities may find it impossible to ensure sustainability on their own. In this context, the government will unite to vigorously promote measures to halt the rapid national population decline through countermeasures against declining birthrates and regional revitalization efforts to address population decline and Tokyo-centric concentration, addressing natural and societal population decreases and foster autonomous local communities that capitalize on regional characteristics and attractiveness. We will also promote efforts for local municipalities to collaboratively provide public services and maintain infrastructure across wider areas, while assisting them in implementing digital transformation (DX) and new technologies to offer more sophisticated functions and services, thus encouraging people to adopt

new lifestyles.

(Enhancing connectivity with growing overseas markets and transforming the energy structure)

Currently, the uncertainties of the international situation and the constraints on energy and resources are intensifying. To address these issues, Japan needs to strengthen its international competitiveness and fortify its economic security more than ever. In this context, to achieve sustainable economic growth despite the declining population and lack of abundant resources, the government will enhance Japan's connectivity with growing markets, actively attract human and financial resources from overseas, and thereby expand domestic investment and improve innovation. Additionally, by significantly improving the energy self-sufficiency rate, we will ensure energy security. By transforming the energy structure, we will seek to achieve both decarbonization and cost reduction, thereby enhancing the earning power of domestic industries. In areas such as climate change and other global challenges, Japan will lead the way and contribute to solving these issues.

(Approaches to achieving the visions)

To achieve these visions, the government will intensively pursue a comprehensive and cross-sectoral policy approach across the following five directions, seamlessly transitioning from current policy responses aimed at achieving a complete end to deflation. This will swiftly elevate Japan's economy and society to a new stage, placing them on a sustainable trajectory, and steadily returning the benefits of growth to the nation.

- 1) From the perspective of implementing new technologies into society and thereby linking the resolution of societal issues to economic growth, we will enhance productivity of added value by investing in human capital, research and development and promoting corporate rejuvenation. Additionally, by expanding opportunities to match societal issues with new technologies, and providing startups with comprehensive support through government procurement and regulatory reforms, we will enable them to accelerate the societal implementation of new technologies.
- 2) To create a society where motivated individuals can contribute throughout their lives regardless of gender or age, we will advance lifelong reskilling and upskilling for all generations, promote proactive care such as universal health screenings from a young age to enhance health management, and progress towards establishing a social security system impartial to work styles.

Additionally, we will cement structural wage increases, enhance conditions for younger generations based on their abilities, support work-life balance for parents, empower women, address gender pay gaps, and eliminate gender disparities. These efforts aim to cultivate a society where younger generations feel more secure about their future and hopeful about marriage, childbirth, and child-rearing, thereby resulting in an improved birth rate.

- 3) While thoroughly implementing wise spending through EBPM, we will also promote investments in sectors crucial for future growth under medium- and long-term plans through cooperation between the public and private sectors to enhance predictability for private businesses, and undertake expenditure reforms to ensure fiscal credibility, providing for a world with interest rates. To keep our social security sustainable, we will revise benefit and burden structures between active and elderly generations through adherence to the principle of ability to pay, and achieve an efficient and resilient healthcare and caregiving system that earns the confidence of the people, thereby advancing the establishment of a comprehensive social security system for all generations.
- 4) To promote the societal implementation of new technologies in regions and address declining birth rates according to local conditions, we will establish model regions, where, through regulatory and institutional reforms, as well as coordination among policies and regions, we will pursue pioneering initiatives, before expanding them horizontally across other regions. Additionally, we will gather residents' opinions to restructure large urban areas into more compact forms based on these inputs, rectify Tokyo-centric concentration to build a more resilient national land structure while enhancing local fiscal foundations mainly through revitalizing regional economies, promoting cooperation and coordination across broad regions, and advancing local government digital transformation (DX).
- 5) To harness the dynamism of overseas markets with high growth potential, such as those in the so-called Global South, we will fundamentally strengthen our global strategy from the perspectives of goods, capital, and people. Additionally, to achieve an energy supply-demand structure that balances decarbonization, low costs, and stable supply, we will leverage Japan's strengths to promote the development, societal implementation, and international expansion of innovative energy technologies.

(Transforming public awareness and encouraging action)

To transition Japan's economy to a new stage and achieve our medium- to long-term missions, it is crucial that individuals, organizations, and local communities engage in discussions spanning generations to widely share the inevitable challenges posed by Japan's declining population and the vision to resolve them. Throughout this process, fostering a transformation of public awareness and igniting a movement that engages citizens are essential, ensuring that each citizen commits to contributing to societal development through action. These collective actions will eventually lead to significant social change, guiding us towards becoming a nation where citizens create and realize their hopes together and the world's most livable and worker-friendly country. Now is the time to harness Japan's economic potential. With courage and enthusiasm, we must break free from the constraints of past norms and seize the opportunity to build a future economic and social landscape rather than being bound by the traditional frameworks. To this end, we will actively communicate the fundamental ideas and policy approaches for our medium- to long-term policy management outlined in this Basic Policy, collaborating with relevant ministries and agencies to ensure effective implementation that translates into concrete actions by citizens, private enterprises, and local governments.

Chapter 2 Achieving Sustainable Economic Growth Through Responding to Social Issues: Increasing Income and Productivity Through Sustaining Wage Increases and Making Strategic Investments

1. Higher income and sustained wage increases that allow people to feel a sense of affluence

(1) Encouraging wage increases

We will achieve income growth that allows the public to feel prosperity, establishing wage increases that exceed price hikes from next year. To this end, we will vigorously implement support measures for wage increases and take steps to steadily raise wages in fields such as healthcare and welfare.

The minimum wage reached a national weighted average of 1,004 yen per hour in 2023. Through cumulative discussions at meetings of the tripartite Minimum Wage Council each year, a board composed of public, labor, and management, the government aims to raise the national weighted average minimum wage to 1,500 yen per hour by the mid-2030s. To achieve this goal as early as possible, the government will strive to increase labor productivity by supporting automation and labor-saving investments, and by improving the environment for business succession and M&A. Efforts will continue to be made to redress regional disparities, through increasing the ratio of the lowest minimum wage to the highest.

Considering larger gender pay gaps compared to major European and American countries, the government will support women's empowerment through income improvement. To achieve this, the government will identify and analyze the realities of industries with larger gender pay differences, organize the issues that need to be addressed, and encourage these industries to formulate action plans³. We will also promote the visibility of differences and the development and utilization of tools for analyzing differences. In the white paper, we will conduct a deeper analysis of pay gaps between men and women and work on creating an environment to eliminate these gaps.

The government will implement policies to encourage companies to hire non-regular workers as regular employees if they wish. Additionally, Prefectural Labor Bureaus and Labor Standards Inspection Offices more thoroughly enforce the equal pay for equal work. Based on the results of surveys on the status of eliminating disparities in various allowances and other treatments, the government will consider revising the current guidelines. We will expand the coverage of

³ Actions to be taken according to The Interim Report of the Project Team for the Promotion of Women's Active Engagement in Professional Life (June 5, 2024).

employees' insurance in parallel with the promotion of utilization of the package for not being conscious of so-called "annual income barriers"⁴.

In the sectors of healthcare, long-term care, and disability welfare services, the government will utilize mechanisms such as the base-up evaluation fees, introduced as a part of FY2024 revision of medical service fees, to achieve wage increases for workers. To this end, we will continue efforts towards sustainable wage increases by monitoring the status of wage hikes⁵ and persistently urging employers to raise wages.

Aiming for sustainable and structural wage increases in the construction and truck transportation industries, the government will quickly prepare guidelines based on the revised Construction Business Act⁶ and the revised Logistics Act⁷. We will widely publicize these guidelines, including outside the industries, and ensure their strict compliance to facilitate smooth price pass-through. Furthermore, we will take necessary measures to ensure that labor cost standards and standard freight charges are applied not only to transactions with the national and local governments but also to those between private companies. Additionally, for the construction industry, the government will take necessary measures to appropriately set labor unit prices in public construction design, expand the Construction Career Up System, and strengthen the Construction G-Men system, which conducts on-site inspections of order and order receiver. For the truck transportation industry, the government will promote necessary initiatives to improve workers' conditions and ensure fair transactions by strengthening the functions of the Truck G-Men, etc. For the passenger motor carrier services, the government will raise awareness of the revised fare system⁸ and monitor wage levels, while encouraging the industry to pursue efforts to improve efficiency and labor-saving measures.

To promote wage increases in the security industry, the government will encourage the price-pass-through of labor costs through measures such as requesting the sector to revise its voluntary action plans.

For those working in agriculture, forestry, fisheries, and the food industries, the government will advance environmental improvements aimed at increasing their

⁴ Decided on September 27, 2023, by the Headquarters for Social Security System Oriented to All Generations.

⁵For instance, in relation to medical service fees, the government will investigate the status of wage increases for healthcare workers after FY2024 revision, trends in prices, including food costs, and the financial performance of medical institutions.

⁶ The Act Partially Amending the Construction Business Act and the Act for Promoting Proper Tendering and Contracting for Public Works (Act No. 49 of 2024).

⁷ The Act Partially Amending the Act on Advancement of Integration and Streamlining of Distribution Business and the Motor Truck Transportation Business Act (Act No. 23 of 2024).

⁸ On Partial Amendment to the Directive on the Policy for Processing Approvals of Fare and Fee Ceilings for Motor Carrier Services for Ride-Sharing by General Passengers (Directive No. 418, Passenger Transport Division, Logistics and Road Transport Bureau, MLIT, dated March 29, 2024).

incomes. For these sectors, the government will promptly establish cost indices based on a forum for public-private discussions to ensure rational price formation that considers factors such as raw material costs and labor expenses. Additionally, we aim to submit legislation for new systems to the regular session of the National Diet in 2025.

(2) Trinity labor market reforms

To achieve sustainable and structural wage increases, the government will pursue the trinity labor market reforms.

The government promotes reskilling and upskilling initiatives targeting all generations, thereby supporting the enhancement of skills among the workforce.

The government will enhance the educational training benefits system, including raising the benefit rate, and expand the qualifications and courses eligible for benefits. Specifically, the upper limit of the benefit rate will be increased from 70% to 80%, and a new benefit scheme will be established to support the livelihood of trainees during educational training leave. The Group Certification system was established in March 2024. The government will consider adding certain skill acquisition courses for this certification to those eligible for benefits within 2024. We will promote the utilization of the Group Certification system across various industries (such as construction, logistics, and tourism) through cooperation with relevant ministries and industry associations.

The government will expand the reskilling and upskilling program using regional platforms for industry-academia-government collaboration to include business owners and executives, aiming to support the capacity building of around 5,000 individuals in this category by 2029. The government will establish a reskilling and upskilling program in collaboration with universities and industries to equip participants with cutting-edge knowledge and strategic thinking. The goal is to have around 3,000 participants in this program by the end of the FY 2025.

Regarding the introduction of job-based personnel management (job-based pay) according to the condition of individual companies, the government will publish the Job-Based Personnel Management Guidelines this summer, featuring case studies of various companies that have already adopted this management, to support companies in considering the introduction of this system in accordance with their respective circumstances.

To facilitate smooth labor mobility into growth sectors, the government will advance the organization and integration of public and private information on job openings, job seekers, and career advancement. Additionally, in FY 2025, we will initiate the development of a platform to visualize various information, including reskilling and upskilling programs and policy details.

The government will launch a national movement to advance labor market reform. As one proposal, we will consider convening a national conference.

(Developing environments that enable diverse talent to continue working comfortably)

To enable diverse talent to demonstrate their abilities while working comfortably, the government will promote initiatives such as compiling and disseminating case studies of companies fostering the active participation of elderly workers, improving workplace environments to prevent work-related accidents among elderly individuals, and strengthening mental health measures including Stress Check Program.

Furthermore, the government will promote initiatives including working on policies to promote telework, facilitating the introduction of inter-shift interval systems, promoting the spread of optional three-day weekends, and to encourage the appropriate use of services to reduce household chores burdens.

The government will conduct research and deliberation on systems for safety and health measures for freelancers, aiming to reach a conclusion by the end of the FY 2024. In response to the enactment of the Act on Proper Transactions between Freelancers and Business Operators⁹, the government will investigate actual transaction practices and, establish a framework for its enforcement by the Japan Fair Trade Commission, Small and Medium Enterprise Agency, and Ministry of Health, Labor and Welfare.

For national public employees, the government promotes work-style reforms through digital environment improvements, business process reviews, analysis of pay differences between men and women, and flexible working hours and locations. Concurrently, efforts include enhancing the appeal of government work to attract more applicants, leveraging diverse talent, providing growth opportunities for government employees, enhancing managerial skills, and pursuing flexible and focused management of the organization and staffing levels in line with the Basic Policy.

(3) Price-pass-through measures

The government will realize “structured price-pass-through” to establish appropriate price-pass-through across the supply chain as a new commercial practice. For that purpose, we will strengthen the enforcement of the Antimonopoly Act¹⁰, enhance the enforcement of the Subcontract Act¹¹ in collaboration with

⁹ The Act Concerning the Proper Conduct of Transactions with Specific Contractors (Act No. 25 of 2023).

¹⁰ The Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947).

¹¹ The Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Act No. 120 of 1956).

relevant ministries and through measures such as the Subcontract G-Men, and consider amendments to the Subcontract Act. We will ensure that the Guidelines on Price Negotiation for Appropriate Pass-through of Labor Costs¹² are fully recognized and adhered to by stakeholders. The government will investigate whether initiatives to facilitate price pass-through are being effectively carried out and, if industries with low pass-through rates or other issues are identified, will request these industries to formulate or revise self-regulation plans and/or consider improvement measures. The Guidelines include an attached Price Negotiation Format, and the government will encourage stakeholders to modify and utilize this format tailored to the characteristics of their respective industries. The government will encourage more companies to issue a Partnership Building Declaration and will take measures to ensure that these declarations are effectively implemented. The government will consider the further use of collective agreements under the Small and Medium-Sized Enterprise Cooperative Act¹³, by investigating the actual use of these agreements and raising awareness of the system among cooperatives. The government will prepare a roadmap for initiatives aimed at shortening payment periods for bills, such as promissory notes, transitioning to cash payments, and phasing out the use of promissory notes across the entire supply chain.

To enable SMEs to centrally manage transaction and financial data, visualize their cost structures, smoothly pass on prices, and improve profitability, the government will investigate the actual practices of such data management and utilization efforts in Japan and overseas by the end of the FY 2024.

When placing orders¹⁴, government agencies will secure the necessary budget to accept contract modifications within the fiscal year to ensure that contractors can pass on increases in labor costs and other expenses to the ordering parties if such cost increases occur. The government will promote the appropriate use of the minimum price limit regulations and other measures.

2. Revitalization of mid-sized companies and small and medium enterprises that underpin affluence

To transition the Japanese economy to an energetic new stage, the government will strengthen the earning power of Leading Medium Enterprises (LMEs), the driving force behind regional economies, and SMEs, which account for 70% of employment.

¹² Published by the Cabinet Secretariat and the Japan Fair Trade Commission on November 29, 2023.

¹³ Act No. 181 of 1949.

¹⁴ This includes building maintenance and security services as part of service procurement.

(1) Responding to labor shortages

The government will provide concentrated support for investment in automation and other labor-saving technologies.

The government will provide a range of industries with catalog-type support for labor-saving investments, which are simple and produce immediate effects. We will also promote customized labor-saving initiatives relevant to the operations of individual business operators. Through the process, we will implement on early implementation and operational improvements of existing support programs.

The government urges industry associations in sectors such as transportation, accommodation, food service, and other industries experiencing acute labor shortage concerns to develop autonomous action plans for the wider use of AI, robotics, and other automation technologies. We will promote the development of robots that can be easily adopted in these sectors, focusing on both hardware and software.

The government will promote initiatives for reskilling and upskilling aimed at developing frontline workers with capabilities in using automation technologies. We will also pursue division of labor in qualified professions experiencing labor shortages, such as providing support for administrative and management tasks for teachers and reducing the workload for truck drivers through the introduction of machinery.

The government will encourage large enterprises to engage in developing new technologies and products in collaboration with LMEs and SMEs (open innovation), and temporary staffing that capitalizes on side jobs and multiple jobs, etc. We will also provide support to facilitate matching between DX talent, etc. of large enterprises in various regions and LMEs and SMEs or local governments. The government will support local governments and regional business support organizations in collaborating to secure, nurture, and retain talent.

(2) Earning power of mid-sized companies and small and medium enterprises

The government will promote initiatives for companies aiming to enter growth markets, including business restructuring, development of new products and exploration of new markets, innovation creation, DX and GX. Additionally, we will provide support to these enterprises for cybersecurity measures and for the proper handling of consumption tax invoices.

As a measure to encourage support agencies and financial institutions to provide voluntary assistance to SMEs, the government will begin operating a matching platform that consolidates corporate information and their support needs within fiscal year ending March 31, 2024.

Financial support measures will be returned to pre-COVID-19 pandemic levels

from July 2024. However, special consideration will be given to the regions affected by the 2024 Noto Peninsula Earthquake. Additionally, financial support will continue for businesses impacted by the price surges in material costs due to the depreciation of the yen, etc. The focus of support will be placed on promoting the use of capital subordinated loans¹⁵ and initiatives for management improvement, business revitalization, and re-challenging, through assistance such as provided by Small and Medium Enterprise Vitalization Support Centers for the formulation of revitalization plans. The government will promote the use of subordinated loans provided by government-affiliated financial institutions and funds invested by the Organization for Small & Medium Enterprises and Regional Innovation to incorporate so-called equity into growth support.

The government will facilitate corporate financing that does not rely on real estate collateral or personal guarantees. To achieve this, preparations will be made for legislation concerning mortgage by transfer and retention of ownership involving movables, claims, and other assets.

The government will work to create an environment conducive to business succession and M&A activities. The government will consider revising the requirements for corporate directorship under special provisions in the tax measure for the succession to businesses¹⁶. The government will deepen the study on tax system mechanisms to promote third-party succession. To streamline M&A processes, the government will promote intermediary agencies to disclose their fee systems. To promote business growth following M&A transactions, the government will implement measures to encourage companies that have engaged in M&A to undertake post-merger integration(PMI)¹⁷ and make capital investments. The government will also encourage regional financial institutions to strengthen their support for M&A activities, including PMI. In some cases, debt guarantees by business owners may impede business succession and M&A activities. To address this issue, the government will encourage financial institutions to propose measures enabling the removal of these guarantees when consulting with small and medium-sized enterprises regarding business succession and M&A. The government will establish a framework where local support institutions collaborate to provide consultation and support for LMEs and SMEs undergoing business restructuring, M&A, closures, and other activities, and will promote and publicize this framework among them. The government will focus on promoting management education for SME owners and fostering the development of business successors.

¹⁵ COVID-19 Hybrid Subordinated Loans, provided by Japan Finance Corporation and the Okinawa Development Finance Corporation.

¹⁶ Under the current system, an SME is only eligible for the special provisions of the business succession tax regime if the successor has been appointed as an executive of the company by the end of December 2024.

¹⁷ Processes undertaken by a company to integrate organizations and operations following an M&A.

The government will encourage LMEs and SMEs to aim for autonomous growth and to create quality jobs. We will formulate a vision in which relevant ministries collaborate for LMEs that drive the local economy and small enterprises aiming to grow their sales to over 10 billion yen. Additionally, we will establish a system in which local governments and support agencies assist these enterprises. Simultaneously, we will encourage these enterprises to make capital investments, engage in M&A and form corporate groups, etc. The government will work on the effective utilization, development, and resilience of infrastructure such as industrial water supply and industrial land.

The government will revise the Basic Plan for Small Enterprise Promotion¹⁸ by FY 2024, aiming to enhance broad-area collaboration among Commercial and Industrial Associations and Chambers of Commerce and Industry, and make other necessary modifications to foster the sustainable development of small enterprises.

The government, aiming to create zebra enterprises that address challenges faced by local communities and to expand impact finance, will support demonstration projects based on the Basic Policy for Promoting Business to Solve Local Challenges Formulated¹⁹. Based on these demonstrations, we will organize business models and establish methods for support and social impact assessment.

(3) Export and overseas expansion

The government will encourage and support LMEs and SMEs in undertaking ambitious efforts to capture external demand.

With the increase in businesses newly embarking on overseas expansion under the Support Program for 10,000 New Exporters, the government will enhance tailored support for these businesses by strengthening the accompanied support system of experts, adding overseas bases, and enhancing domestic systems to support the understanding of local needs and the formulation of overseas business strategies, and supporting the development of products that meet the demands of overseas markets. For businesses ready to export, we will work to provide continuous support from who provide assistance as escort runner, expand overseas e-commerce sites centrally contracted by JETRO to offer sales opportunities to SMEs, support the improvement of English communication skills for business operators, and strengthen collaboration between the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SME Support, Japan) and export trading companies and/or platforms, etc.

The government will encourage local trading companies and companies with digital technologies that play a central role in supporting the overseas expansion of

¹⁸ Based on the Basic Act for the Promotion of Small-scale Enterprises (Act No. 94 of 2014).

¹⁹ Formulated and published by the Small and Medium Enterprise Agency in March 2024.

LMEs and SMEs, to develop sales channels for these enterprises through collaboration.

3. Responding to social challenges through increasing investment and implementing innovative technologies in the society

(1) Digital transformation (DX)

The government will work on implementing digital technologies in the society to create new value and services and building a data-driven society by using data accumulated through DX, aiming to ensure that every citizen can enjoy its benefit. To achieve this, we will collaborate with local governments and private businesses.

The government will achieve one-stop and once-only administrative procedures by developing and promoting the use of a Public Basic Information Database²⁰ and expanding the adoption of the common authentication system for businesses²¹.

The government will promote the building a platform for data sharing and system linkage across the borders between enterprises and industries (Ouranos Ecosystem), thereby supporting the resolution of social issues and fostering innovation through DX.

Aiming to promote the development and broader utilization of geospatial (G-spatial) information, which contributes to disaster prevention and mitigation, and national security, and to implement this information in the society, the government will further advance the development of quasi-zenith satellites and the use of satellite data.

Under the new international framework established in the OECD, the government will advance DFFT²² by promoting related projects, including the transparency of national systems regarding cross-border data transfers and verifying the necessary technologies.

While considering user protection and other issues, the government will work towards realizing a decentralized digital society by promoting the efficient use of tokens and facilitating smooth payments based on web3-related technologies (including NFTs²³ based on blockchain technology), while also enhancing the environment to revitalize the content industry and supporting the creation of use cases.

To swiftly and effectively implement the Mobile Software Competition Act

²⁰ The Base Registry. This is a database consisting of addresses, locations, corporate names, and other data that is referenced across multiple procedures. Its development will enhance convenience for citizens and improve administrative efficiency.

²¹ gBizID. This is a service that allows businesses to log in to multiple administrative services with a single ID and password.

²² An abbreviation for Data Free Flow with Trust.

²³ An abbreviation for Non-Fungible Token.

(MSCA)²⁴, the government will drastically enhance the Japan Fair Trade Commission's framework in terms of both quality and quantity, particularly by promoting the appointment of advanced digital specialists.

The government will address disinformation and misinformation in digital spaces, achieving intercarrier roaming during emergencies such as communication disruptions, promote fair competition in the mobile phone market, and implement other necessary measures.

With regard to Central Bank Digital Currency (CBDC), the government and the Bank of Japan deepen discussions based on the interim report²⁵, taking into account international trends to clearly identify the basic considerations on main issues and possible options for the introduction of a CBDC, outlining its design. Afterward, we will consider the feasibility and legal aspects of issuing a CBDC.

(AI and semiconductors)

The government will comprehensively enhance competitiveness and security in artificial intelligence (AI) through the Integrated Innovation Strategy 2024²⁶, fostering public-private collaboration. Specifically, we will strengthen research and development capabilities, including data development, promote AI utilization, upgrade infrastructure to accommodate expansion and complexity of computing resources, and develop and recruiting skilled workers by managing skill information of individuals. Concurrently, we uphold the principle that businesses engage voluntarily in initiatives based on the AI Guidelines for Business, while also advancing the evaluation of regulatory frameworks as guardrails and safety of AI, measures to combat disinformation and misinformation, and responses to issues related to intellectual property rights and others. Based upon outcomes such as the Hiroshima AI Process, the government will take a leading role in international collaboration and coordination in rule-making, including safety assessments using the AISI²⁷.

From the perspective of strengthening industrial competitiveness and economic security, Japan needs to continuously expand domestic investment in the fields of AI and semiconductors. To this end, the government, while securing the necessary financial resources, will focus on providing substantial and planned investment support over multiple fiscal years for mass production investments and research and development in these fields. In this process, we will consider the necessary legislative measures especially for the mass production of next-generation

²⁴ Act No. 58 of 2024.

²⁵ Relevant Ministries and the Bank of Japan Liaison Meeting on Central Bank Digital Currency, 'Interim Report,' April 17, 2024.

²⁶ Decided by the Cabinet on June 4, 2024.

²⁷ An abbreviation for "AI Safety Institute."

semiconductors. At the same time, we will explore diversifying support methods, including the expansion of utilization of necessary investments and loans.

(Digital government)

To contribute to the sustainable and sound development of the Japanese economy and the realization of happiness in the lives of its citizens through the formation of a digital society, the entire government, centered around the Digital Agency, will promote the digitization of administration based on the Priority Policy Program²⁸ and other initiatives. When planning and formulating policies, we will ensure consistency “administrative frameworks”, “operations”, and “systems”. Furthermore, by quantitatively assessing benefits such as increased convenience for citizens and improved administrative efficiency, we will ensure that both the demand side and the supply side can fully appreciate the benefits of digitization. In this process, we will also strengthen the review of digitalization in legislation to ensure that no new analog-based regulations are introduced.

The government will strengthen and accelerate the development of a common digital infrastructure, which is essential for building a fully digital society. This includes creating an environment where no one left behind²⁹ and ensuring the cultivation and training of digital talent. In this process, we will monitor various aspects related to digitalization, reference these findings in our efforts, publicly disclose information, and continuously improve.

The government will work to create an environment where citizens can obtain My Number Cards without trouble, which will serve as their passport to the digital society. Additionally, efforts will be made to enable card functions to be integrated into smartphones, thereby simplifying online procedures such as income tax filings, change of address notifications, and bank account openings. Furthermore, we will enhance the convenience and functionality of the Card through measures such as integration with driver's licenses. Efforts will also be made to expand the use of the Card across both public and private services. For example, programs that utilize the Card to expedite and streamline emergency services will be promoted nationwide.

Additionally, the government will enhance the integration of data required for various procedures, including tax and social security, through measures such as the use of the Mynportal, to promote increased convenience for citizens and improved administrative efficiency³⁰.

²⁸ Priority Policy Program for Realizing Digital Society (Cabinet Decision on June 21, 2024).

²⁹ This includes, specifically, the development of environments and infrastructure for utilizing digital services, enhancement of digital literacy, and ensuring comprehensive accessibility.

³⁰ This includes the addition and notarization of phonetic readings in family registers, primarily aimed at simplifying name search processes in databases.

The government will work on strengthening digital governance by promoting the commonality and modernization of public sector systems, including the unification and standardization of core systems for local public entities and the establishment of data integration infrastructure in quasi-public sectors, as well as thorough utilization of software as a service (SaaS).

(DX for Healthcare, Long-term Care, and Childcare)

The government will secure healthcare and long-term care workers, establish a system to provide higher-quality and more efficient healthcare and long-term care, and utilize medical data to promote healthcare innovation. To achieve these goals, we will work cohesively to advance the digital transformation (DX) of healthcare and long-term care in a reliable and steady manner and provide the necessary support. To this end, the government will promote the use of My Number Cards as health insurance cards, ending the issuance of current health insurance cards on December 2, 2024, and transitioning to a system that primarily uses My Number Cards. The government will build the National Medical Information Platform based on the Roadmap for Promoting Medical DX³¹. Additionally, we will strongly advance the introduction of electronic medical records, the standardization of electronic medical record information, the DX of medical fee revisions, and the development and expansion of Personal Health Record (PHR). In preparation for future infectious disease crises, the government will aim to improve efficiency of vaccination procedures through digitalization, and take further measures for digitalization such as promoting online reports of suspected adverse reactions after vaccination and establishing a vaccination database. The government will create an environment that promotes the secondary use of information shared on the National Platform for the development of new medical technologies and drug discovery and will encourage the utilization of data from public healthcare and long-term care databases. Furthermore, we will build infrastructure that allows researchers and companies to safely and efficiently utilize high-quality data. The development and operation of systems related to healthcare DX will be primarily managed by the Health Insurance Claims Review & Reimbursement services. The government must be responsible for the governance of this institution and will establish the necessary structure to fulfill this responsibility. Furthermore, we will fundamentally reorganize the institution into an organization capable of making quick and flexible decisions in response to advancements in information and communication technology, and work on establishing the necessary structures and strengthening efforts to adjust medical expenses to an appropriate level. We will enact the necessary legal arrangements to advance healthcare and long-term care DX and promote the effective and

³¹ Decided by the Headquarters for Medical Digital Transformation (DX) on June 2, 2023.

efficient delivery of healthcare. In addition, the government will promote the social implementation of AI hospitals and steadily implement cybersecurity measures in medical institutions. The government will further promote the nationwide expansion of electronic prescriptions. Alongside this, the government will advance Child Policy DX in the field of childcare support, including childcare-related services, searching for daycare centers, and maternal and child health. Moreover, the government will collect data on the implementation of these DX-related policy programs and assess their effectiveness.

(DX for education)

Focusing on the GIGA School Program, which have been promoted as a national policy, the government will accelerate education DX by leveraging cloud environments and generative AI to further enhance children's learning and reduce the workload of teachers. The government will enhance educational environments from both hardware and operational perspectives. Specifically, this includes steady device replacements under a joint procurement scheme, thorough network assessments and subsequent improvements to communication networks based on these assessments, strengthening follow-up support, including the creation of best practices to address regional disparities and broad ICT operational assistance, and promoting the use of digital textbooks and other educational software. The government will work to enhance teachers' instructional capabilities and students' information utilization skills while also strengthening educational information security and personal data protection. At the same time, we will promote the collection, analysis, and utilization of educational data. Also, based on the understanding the actual conditions and effectiveness of educational activities, we will accelerate efforts toward personalized and self-regulated learning and advancing school work DX, including the digitalization of admission procedures and high school entrance exam processes. Through these policies, we will create pilot cases expand them more broadly.

(DX for transportation and logistics)

The government will promote initiatives such as mobility as a service (MaaS), AI on-demand transportation, ride-hailing apps, and cashless transactions to enhance the convenience and productivity of local transportation. We are also establishing environment such as regulations to expand the operation of eVTOLs (electric Vertical Take-Off and Landing) .

To alleviate highway congestion and promote regional revitalization, the government will take measures to transition the highway toll system to a flexible pricing mechanism that adjusts fees based on congestion levels, starting in FY 2025.

This will be implemented gradually, depending on the introduction of ETC-exclusive toll booths. To begin with, the government will start examining the introduction of a toll system that could reduce fees by up to 50% under the current scheme³², aiming to commence this process by August.

Based on the “Digital Lifeline Development Plan”³³, the government will accelerate the societal implementation of CAV(Connected Autonomous Vehicles) corridors³⁴, equipped with priority lanes for automated driving, UAS(Urban Aircraft System) corridors. Specifically, we will establish common specifications and standards, aiming to expand these corridors nationwide over the next 10 years. In FY 2024, the government will plan and implement automated driving on general roads at approximately 100 locations. By FY 2025, the government aims to implement year-round automated driving in all prefectures or formulate plans to do so. The government aims to begin full-scale provision of services using new technologies such as automated driving by FY 2027. In the meantime, the government will proceed with initiatives outlined in the Mobility Roadmap 2024, including establishing a specialized accident investigation system for automated driving.

As part of efforts to improve logistics efficiency, the government will promote the expansion of designated routes for double-trailer trucks, the implementation of automated driving trucks, automated delivery robots, and automated warehouses, and the digitization of various procedures. To fundamentally resolve the logistics crisis, the government will formulate a basic framework for Autoflow Road this summer, including selecting specific assumed routes, with in mind on the Tokyo-Osaka route, Japan's largest artery, and preparate for social experiments will begin promptly, aiming to realize Autoflow Road on advance routes in ten years. The government also aims to realize commercial operation of maritime autonomous surface ships by or around 2030.

(DX for disaster management)

To enhance a comprehensive understanding of disaster information and improve support for disaster victims, the government will promote the development and utilization of a disaster digital platform and data integration infrastructure centered around a new Integrated Disaster Management Information System. This includes the collection and sharing of disaster IoT data using drones and other devices and

³² This examination will be conducted primarily by the Panel on Infrastructure Development, with a focus on previous experiences with implementing peak load pricing.

³³ Decided by the Meeting for Digital Administrative and Fiscal Reform on June 18, 2024.

³⁴ From the fiscal year 2024, a social experiment using the Advanced Cruise-Assist Highway System (AHS) will be conducted on highways, aiming to establish a main network from Tohoku to Kyushu within ten years.

the linkage of various public and private systems³⁵.

(Tourism DX)

To enhance traveler convenience, the government will promote the integration of IC cards for foreign visitors to Japan into mobile devices and the multilingual support of transportation and payment apps. Additionally, we will advance cross-comprehensive DX through the development of region-wide cashless systems, apps, booking sites, and data integration. The government will also advance DX in airport operations, including the streamlining of passenger procedures using new technologies such as facial recognition, and will work towards strict and smooth immigration control through data integration among relevant agencies.

(2) Green transformation (GX) and energy security

The government will advance energy security and decarbonization in an integrated manner, strengthening industrial competitiveness and exploring growth frontiers through the creation of new demand and markets, thereby building a resilient economic structure. To achieve this, the government will promote over 150 trillion yen in GX-related investments over the next decade, in collaboration between the public sector and the private sector, based on the goals of achieving net-zero by 2050 and reducing greenhouse gas emissions by 46% in FY 2030 (compared to FY 2013 levels). Additionally, by the end of FY 2024, the government will formulate the national strategy for GX and revise the Strategic Energy Plan and the Plan for Global Warming Countermeasures. The government will work towards realizing a circular economy.

In the field of energy conservation, the government will advance support for energy-efficient equipment investments, the promotion of ZEH & ZEB³⁶, insulation windows, and high-efficiency water heaters, and the establishment of a support system in collaboration with local financial institutions or other to encourage SMEs to use energy efficiency diagnostics. We will also consider systems to encourage companies to disclose their energy conservation efforts and to promote energy savings, conversion to non-fossil fuels, and DR³⁷ among households.

Positioning renewable energy as the major power source, the government will work towards its maximum expansion, ensuring that its growth takes place in a way that coexists with the local community. In pursuing this expansion, we seek to

³⁵ For example, effective methods such as standardization to expand the adoption of systems useful for disaster victim support will be considered.

³⁶ Abbreviations for Net Zero Energy House and Net Zero Energy Building.

³⁷ An abbreviation for demand response, a mechanism for controlling electricity demand to balance electricity supply and demand.

reduce the burden of the public. To promote domestic manufacturing and enhance Japan's technological capabilities, the government will consider setting targets for technologies such as perovskite solar cells and floating offshore wind power and develop support measures and institutional arrangements to facilitate the early development and social implementation of innovative technologies, establish international research and development frameworks and international standards, and support human resource development and the building a supply chain³⁸. We will also support the development of geothermal power and aim to expand its utilization. Considering future trends in electricity supply and demand as well as technology, the government will advance the development of inter-regional power grids nationwide. Specifically, the submarine direct current transmission between Hokkaido and Honshu is expected to be completed by FY 2030. To ensure a stable power supply, we will work on securing grid flexibility and reducing curtailment through the introduction of storage batteries. We will also support the expansion of domestic production bases for storage batteries and the development of next-generation battery technologies.

The government will advance the restart of nuclear reactors with the utmost priority on safety and with the understanding of local communities based on the reviews and inspections conducted by the Nuclear Regulation Authority. We will work on the development and construction of next-generation innovative reactors that incorporate new safety mechanisms. The government will formulate concrete plans to replace nuclear power plants scheduled for decommissioning with new ones on the same sites, prioritizing the understanding of local communities. With the primary aim of improving safety, the government will promote investment and expand support for research and development, human resource development, and the maintenance and strengthening of supply chains. The government will promote the nuclear fuel cycle, advance the decommissioning of nuclear power plants in a steady and efficient manner, and take the lead in fostering public understanding and actively engage with local governments to achieve final disposal. The government will enhance the nuclear disaster prevention system, including securing evacuation routes through road development.

Concerning low-carbon hydrogen and its derivatives, under the Hydrogen Society Promotion Act³⁹, the government will advance the development of domestic and international supply chains, support the establishment of domestic hubs and technological development, and explore the development of systems to promote the expansion of use in the electricity, gas, fuel, manufacturing, and transportation

³⁸ This includes developing the capacity of manufacturing, installation, and maintenance, as well as optimizing the entire offshore construction process through public-private collaboration.

³⁹ The Act on Promotion of Supply and Utilization of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure (Act No. 37 of 2024).

sectors. In addition to promoting the introduction of electrified vehicles and electrified construction machinery, we will also provide intensive support for commercial vehicles such as fuel cell trucks and commercial vehicle stations, and support for hydrogen supply. The government will consider expanding targets related to the ownership and use of non-fossil energy vehicles among commercial vehicles. To achieve internationally competitive pricing, we will, through public-private collaboration, promote research, development, and capital investment in carbon recycling fuels, such as synthetic fuels (e-fuel), synthetic methane (e-methane), and domestically produced sustainable aviation fuels (SAF), while also working on demand creation and environmental improvement⁴⁰. Supporting their smooth transition to decarbonization, the government will first help manufacturers shift from coal and oil to natural gas, a fuel with lower CO₂ emissions, and then encourage them to use low-carbon hydrogen, etc. and other alternatives in the future. We will support the commercialization of carbon dioxide storage in accordance with the CCS Business Act⁴¹ and implement measures for forest carbon sinks⁴², among other initiatives.

Regarding circular economy, in order to expand the usage of recycled materials and the efficient use of products, the government is reviewing the regulations and providing financial support, which promotes the collaboration between arterial and venous industries⁴³. We will also support the formulation of medium- to long-term roadmaps for individual products and materials through industry-government-academia collaboration, and advance international cooperation and the establishment of international rules related to resource circulation. We will also consider institutional arrangements for the disposal and recycling of solar panels and other materials, support the development of technologies and capital investments aimed at recycling plastics and metals, such as PET bottles, and promote the development of biomanufacturing technologies and the establishment of related facilities.

The government will work towards the realization and implementation of the Pro-Growth Carbon Pricing Scheme⁴⁴ in accordance with the Sector-specific Investment Strategies for GX. This includes utilizing budgets and tax measures

⁴⁰ The government will examine the principles for calculating CO₂ emissions when consuming synthetic methane and aim to reach a conclusion by the end of fiscal year 2024.

⁴¹ The Act Concerning Carbon Dioxide Storage Business (Act No. 38 of 2024).

⁴² Including the utilization of the J-Credit and blue carbon (carbon derived from carbon dioxide sequestered by marine ecosystems) through the conservation, restoration, and creation of blue infrastructure (seagrass beds, tidal flats, etc., and bio-symbiotic port structures).

⁴³ Collaboration between manufacturing and retail sectors and waste management and recycling industries.

⁴⁴ The concept of accelerating GX investment by providing incentives for upfront investments through the use of GX Economy Transition Bond, etc. and carbon pricing.

backed by GX Economy Transition Bond⁴⁵, designing and establishing systems for carbon pricing⁴⁶, attracting private funds through the GX Acceleration Agency, promoting transition finance⁴⁷ in collaboration with countries in Asia, and advancing green finance⁴⁸. We will also work on establishing an environment to promote sustainable finance⁴⁹.

In the field of local communities and living, the government will designate over 100 decarbonization leading areas by FY 2025 and horizontally deploy advanced initiatives there to revitalize local economies. We will promote “Decokatsu”⁵⁰ and the 3Rs⁵¹, movements aimed at transforming people's lifestyles. In addition to infrastructure such as urban development GX, Carbon Neutral Ports, and buildings⁵², we will advance decarbonization in mobility-related fields, such as fuel cell railway vehicles, zero-emission ships, and next-generation aircraft.

To ensure a stable fuel supply system, the government will provide support to service station operators, including assistance with strengthening their management capabilities and maintaining their networks.

Japan has declared its commitment to achieving net-zero by 2050. Meanwhile, the government initiated an emergency measure in January 2022 to mitigate the impact of volatile fuel oil prices, which continues to this day. The government will carefully monitor risks related to price volatility, including those arising from heightened tensions in the Middle East, as well as other economic conditions. Until then, we will implement necessary measures for a certain period while closely reviewing the situation, aiming for a phased and earliest possible termination of this initiative, and considering an exit strategy.

To realize the Asia Zero Emission Community (AZEC) Initiative, the government will contribute to global decarbonization by leveraging Japan's technologies and systems through bilateral and multilateral cooperation⁵³, the activities of the Asia Zero Emission Center to be established within the Economic Research Institute for

⁴⁵ Based on the Tax Reform Outline for FY 2024 established by the ruling parties, the government plans to submit the necessary legislation for measures related to materials included in the GX sector under the Tax System for Promoting Domestic Production in Strategic Sectors to the regular Diet session in 2025.

⁴⁶ The goal is to start the full-scale operation of the Emissions Trading System by FY 2026, introduce the Fossil Fuel Levy by FY 2028, and begin the phased introduction of Paid Auctions from FY 2033.

⁴⁷ A new financing method to support companies that achieve steady reductions in greenhouse gas emissions through the adoption of technologies in the transition phase.

⁴⁸ A financing method specialized for environmentally conscious initiatives, such as measures against global warming and renewable energy projects.

⁴⁹ The government will, for example, advance discussions on disclosure and assurance of sustainability-related financial information and contribute to international discussions on the development of disclosure standards related to human capital, including experts in climate change response.

⁵⁰ New national movements to facilitate behavior change and lifestyle transformation among citizens, aiming to achieve net-zero by 2050.

⁵¹ Reduce, Reuse and Recycle.

⁵² An initiative to promote the reduction of CO₂ emissions from buildings throughout their entire lifecycle, from construction to demolition.

⁵³ Including the promotion of the Joint Crediting Mechanism (JCM).

ASEAN (ERIA), and the promotion of transition finance in collaboration with financial authorities in Asia and private financial institutions⁵⁴.

As part of its energy security efforts, the government will advance the transition to a more resilient energy supply and demand structure to address the complexities and uncertainties of resource and energy conditions caused by Russia's aggression against Ukraine and the instability in the Middle East. On the demand side, the government will promote thorough energy conservation, while on the supply side, we will make the most of renewable energy and nuclear power, which significantly contribute to improving self-sufficiency and decarbonization. To ensure stable supplies of oil, natural gas, copper and critical minerals such rare metals, we will advance resource diplomacy, including coordination with like-minded countries, and strengthen supply chains through upstream development abroad⁵⁵. The government will strategically secure buffer LNG. To secure domestic marine resources, we will work on developing technologies related to methane hydrates, seafloor hydrothermal deposits, and rare earth muds, among others.

(3) Developing frontiers (Outer space)

Based on the Basic Plan on Space Policy⁵⁶ and the Space Technology Strategy⁵⁷, the government will strategically promote research, development, demonstration, and social implementation. To contribute to disaster prevention and mitigation, security, and other purposes, the government, through public-private collaboration, will support the development and demonstration of next-generation technologies, promote the utilization of satellite data towards the constructing constellations of optical and small synthetic aperture radar satellites and optical communication satellites, etc. We will work on advancing core rockets, increasing launch frequency, and supporting rocket development by private companies.

Under the Artemis program⁵⁸, we will commence full-scale work on the development of a pressurized rover toward the landing on the moon by a Japanese astronaut as the first non-American. We will advance research and development for exploration beyond the moon and Mars. We will steadily develop the seven-satellite configuration of the Quasi-Zenith Satellite System and proceed with the

⁵⁴ Including initiatives from the Asia Transition Finance Study Group, launched in September 2021 by private financial institutions from Asia and Western countries, as well as the Asia GX Consortium, which was established in March 2024 with the participation of Asian financial authorities and institutions.

⁵⁵ Includes promotion of the Resilient and Inclusive Supply-chain Enhancement (RISE), an initiative launched under Japan's leadership in October 2023 to strengthen the resilience of supply chains for clean energy products.

⁵⁶ Decided by the Cabinet on June 13, 2023.

⁵⁷ Decided by the Committee on National Space Policy on March 28, 2024.

⁵⁸ An international space exploration project proposed by the United States, aiming for continuous activities on the Moon with a view toward Mars exploration. Japan decided in October 2019 to participate in the project.

study and development towards an 11-satellite configuration. The government will aim to promptly provide approximately 1 trillion yen in support of the Space Strategy Fund and will promote medium- to long-term government procurement to facilitate the business expansion of private companies. To enable private companies to undertake new space transport and other activities, the government, while considering potential amendments to the Act on Launching of Spacecraft, etc. and Control of Spacecraft⁵⁹, will finalize the principles for necessary revisions to the current arrangements within the FY 2024. We will establish a system to enable smooth review processes in response to the global expansion of space utilization, with the Outer Space Development Strategy Headquarters serving as the control tower.

(Ocean)

Based on the Basic Plan on Ocean Policy⁶⁰ and the Ocean Development Strategy⁶¹, the government will secure multi-year sufficient budgets across ministries, and promote the social implementation, industrialization, and international expansion of new technologies. The government will strongly promote, with predictability in supporting the research and development(R&D) of, Autonomous Underwater Vehicles and verification of their use including linkage with the Quasi-Zenith Satellite System, building an MSIL (the MDA Situational Indication Linkages) Business Platform for the industrial use of maritime information, conducting R&D for rare earth production in the waters around Minamitorishima Island, developing a topographic mapping system for preservation of the sea area under the jurisdiction of, and building Mirai II, the Arctic Research Vessel(ARV), etc. and other initiatives. The government will establish a robust system to strengthen the command function of ocean policy.

(4) Promotion of science, technology, and innovation

The government will strengthen Japan's driving forces of economic growth—science, technology, and innovation capabilities—to succeed in fierce international competition by implementing measures for bold investment through public-private collaboration and accelerating the social implementation of research and development outcomes by promoting the strategic utilization of standards. To this end, we will vigorously promote research and development, industrialization, and human resource development from a cross-disciplinary perspective in fields like fusion energy and quantum, which will be the seeds of new industries, and

⁵⁹ The Act on Launching of Spacecraft, etc. and Control of Spacecraft (Act No. 76 of 2016).

⁶⁰ Decided by the Cabinet on April 28, 2023.

⁶¹ Decided by the Headquarters for Ocean Policy on April 26, 2024.

foundational technologies and sectors that support the economic society, such as AI, bio, materials, semiconductors, Beyond 5G (6G), and health and medical care. Alongside this, we will enhance global collaboration, leading and participating in the creation of international rules such as international standards aimed at market creation and promoting international joint research and human resource exchange with like-minded countries, including the G7, as well as the Global South, including ASEAN and India. Additionally, as a national strategy with a long-term vision to realize Japan as a nation of scientific and technological innovation in the contemporary era of Reiwa, the government will start discussions within this year on the next Science, Technology, and Innovation Basic Plan.

The government will steadily advance efforts towards the sustainable creation of innovation through the Universities for International Research Excellence program by realizing world-class research universities and strengthening the functions of "core regional" and/or "distinctive" research universities. Through these efforts, these research universities will lead the enhancement of Japan's overall research capabilities, and under strategic autonomous management, establish research environments that attract excellent young researchers, and strengthen the dissemination of research outcomes, including intellectual property governance reforms. The government positions the National Research and Development Agencies as central entities in research and development conducted based on national strategies and will work to enhance their functions. Specifically, we will further strengthen these agencies' capabilities in securing and developing talent for the early social implementation of research outcomes and for agile responses to nationally significant issues, as well as in the areas of research security and integrity.

The government, anticipating rapid societal changes, will accelerate investment in people, the source of value creation, and strengthen the development of innovative human resources. We will continuously implement initiatives such as the DX High School Project to promote exploratory, interdisciplinary, and practical learning and enhance science and mathematics education, and strengthen and enrich information education⁶² at the primary and secondary education levels. Additionally, we will strengthen the functions of universities, colleges of technology (KOSEN), and vocational schools by reorganizing university faculties to focus on growth areas, and advancing and internationalizing college of technology (KOSEN) education in cutting-edge technologies such as semiconductors. Furthermore, we will advance the internationalization of education⁶³, including enhancing English education and international exchanges such as the use of AI, consider expanding the New Tobitate Young Ambassador Program and providing financial support for

⁶² Including the development of statistical experts.

⁶³ Including the international expansion of Japanese-style educational methods.

Japanese students studying abroad, including sending them to top-tier universities' doctoral programs in science fields, cooperation between the public and private sectors, and enhance the distinctive educational activities of the Overseas Educational Facilities fundamentally strengthen the development of diverse talent capable of thriving on the global stage. In addition, the government will promote co-creation among industry, academia, and government, undertake initiatives to reform graduate schools in response to economic and societal needs, create opportunities for doctoral graduates to play active roles in various fields (including government agencies), and improve their treatment, and elevate the number of doctoral graduates active in various fields to the world's top standards in the medium to long term. Concurrently, the government will accelerate efforts to create a recurrent education ecosystem involving industry, individuals, and educational institutions, considering the reskilling and upskilling needs of local communities and industries to foster innovation.

(5) Promoting Japan as a Leading Asset Management Center

The government will realize an investment chain where household deposits and cash are directed towards investments, the resulting increase in corporate value is returned to households, and this in turn leads to further investment and consumption. To this end, the government will advance reforms in the asset management industry. Specifically, under the Policy Plan for Promoting Japan as a Leading Asset Management Center⁶⁴, we will promote the Special Zones for Financial and Asset Management Businesses by leveraging the National Strategic Special Zones system. This is to enhance the supply of funds to growth sectors such as startups through the new entry and expansion of operations by domestic and international financial and asset management companies. The government will promote the reform of asset ownership by establishing Asset Owner Principles that define common principles for investment, governance, and risk management, and increasing visibility in the asset management of corporate pensions for subscribers.

The government will promote further simplification and rationalization of procedures for the new NISA (Nippon Individual Savings Account) and its utilization, enhancing financial and economic education with the Japan Financial Literacy and Education Corporation (J-FLEC), ensuring customer-oriented business operations in financial institutions, strengthening external promotion for the realization of Japan as an international financial center in Japan through events in Japan Weeks, and implementing corporate governance reforms, including preparing the environment for the disclosure of securities reports before shareholder meetings. We will make efforts to reach a conclusion by the end of 2024 on raising the contribution limit and

⁶⁴ A report to the Council of New Form of Capitalism Realization on February 27, 2024.

the upper limit of age eligibility to start receiving benefits for iDeCo (Individual-type Defined Contribution pension plan). Additionally, we will work to reduce the burden on participants and beneficiaries by simplifying procedures. We will review the regulations on the firewall between banking and securities operations⁶⁵.

4. Responding to social challenges through building startup networks and improving connectivity overseas

(1) Supporting startups and building their networks

The government will build an ecosystem where startups are continuously created and growing, since they are the driving force behind innovation creation and productivity improvement as well as the players in solving social issues through the social implementation of new technologies.

In order to nurture human resources for startups and build networks both inside and outside of Japan, the government will work to find and nurture young human resources, support female entrepreneurs, enhance entrepreneurship education, and send entrepreneurs overseas. In order to encourage startups to expand overseas, we will support them to participate in overseas exhibitions and expand to the Global South. In order to attract foreign investment, we will strengthen the dissemination of initiatives overseas, based on the Startup Development Five-year Plan⁶⁶. In order to revitalize startups in rural areas, we will strengthen our engagement in matching local companies with human resources from metropolitan areas as well as in creating an ecosystem of startups in each base city. The government will further embody the Global Startup Campus (GSC) Initiative as the world's most advanced startup creation base. The flagship base will have cutting-edge research functions through organic collaboration with top universities overseas, invitation of excellent researchers, exchange programs and so on, and will also provide support in terms of incubation, intellectual property and legal affairs, etc. The government will build a global network by strengthening collaboration between domestic and foreign startups using the said base as a hub.

The government will support startups through public procurement. We will promote the use of a mechanism that enables discretionary contracts to meet the public administration's procurement needs with advanced and unique new technologies that startups possess. We will enhance matching opportunities for both public administrations (including local governments) facing social issues and startups with new technologies/services that will contribute to solving such issues.

⁶⁵ These regulations prohibit banks and securities firms within a financial group from sharing customers' non-public information without the customers' consent, and from engaging in actions that create conflicts of interest.

⁶⁶ Decision of the Council of New Form of Capitalism Realization on November 28, 2022.

We will promote the SBIR system⁶⁷ to promote the social implementation of research and development.

The government will consider supporting a startup company so that it can obtain a long-term purchase commitment agreement (off-take agreement)⁶⁸ from its operating company that backs up the startup, when both companies proceed with their collaboration.

The government will enhance support stages, content and methods for research and business development in the deep tech field. We will develop an environment in which funds can be smoothly supplied in accordance with the growth stages, including the later stage, by activating the distribution of unlisted shares and strengthening the investment function of public and private funds. The government will consider extending the reinvestment period under the Angel Tax System.

In addition to IPOs, the government will revitalize M&A activities to diversify exit strategies. We will promote new open innovation involving startups, in addition to universities and large corporations, In order to promote M&A by startups, we will examine the state of financial reporting, including non-amortization of goodwill.

The government will promote regulatory reforms and the protection and utilization of intellectual property from the viewpoint of facilitating the entry and exit of companies and fostering startups. In order to facilitate prompt business restructuring according to the judgment of management, we aim to swiftly submit a bill that permits the reduction of financial debts through a majority vote.

Based on the Basic Guidelines on Impact Investment (Impact Finance)⁶⁹, discussions will be held at the Impact Consortium, etc., to strengthen support for social entrepreneurs (impact startups), etc., by developing data and establishing evaluation methods that will promote investment. In order to expand impact markets, public and private institutions will work together to promote the engagement of equity investment.

(2) Leveraging overseas vitality

(Promotion of international cooperation and inward and outward direct investment)

The government will expand a free and fair economic zone and will maintain and strengthen a rules-based multilateral trading system. In order to make the CPTPP, a high-standard economic partnership agreement, more open and advanced, Japan will take the lead in accession requests and the “General Review”, thereby contributing to economic interests and regional and global prosperity and stability.

⁶⁷ Small/Startup Business Innovation Research.

⁶⁸ Agreement to be concluded between a supplier and a person who intends to purchase its products or services, in which the supplier arranges to purchase or sell all or part of the products or services it intends to provide.

⁶⁹ The Working Group on Impact Investment on February 20, 2024.

We will work to ensure the transparent implementation of the RCEP Agreement, promote economic partnership in the Indo-Pacific region through IPEF, strengthen the WTO system, and expand EPAs, etc.

To expand trade, we will promote trade DX by developing domestic infrastructure such as legal revisions, utilizing trade platforms, and standardizing data. In order to promote the overseas expansion of Japanese companies by the government as a whole, we will work on publicizing financial support measures in accordance with local circumstances, strengthening support through the use of overseas diplomatic missions, promoting formulation of collaborative projects with local companies through cooperation with multilateral development banks, reviewing the strategy for overseas expansion of infrastructure systems with a view to 2030, formulating a new national strategy for international standardization, expanding the network of tax treaties, etc. In particular, with the aim of improving connectivity with the Global South, such as Southeast Asia, South Asia, Africa, and Latin America, Japan will work to support the overseas expansion of Japanese companies by utilizing ODA through proactive cooperation such as Co-creation for common agenda initiative⁷⁰ as well as public finance; promote exports via third countries through industrial cooperation and establishment of base; establish frameworks such as public-private forums; build digital public infrastructure with reliable and willing countries; support the demonstration and implementation of projects in the fields of energy, communications, and transportation, etc.; provide technical cooperation in the fields of maintenance or recovery of a sound water cycle or water-related disaster risk reduction; support the formation of smart city projects; strengthen the risk handling capability of trade insurance in light of changes in the international environment; diffuse agricultural, forestry, and fishery technologies⁷¹ that both reduce the environmental load and improve productivity; and support Africa through TICAD9.

Toward the reconstruction of Ukraine, Japan will support local activities of Japanese companies, including startups.

The government aims to achieve the target of 100 trillion yen of the Foreign Direct Investment stock in Japan by 2030 at the earliest date. Based on the Action Plan for Attracting Human and Financial Resources from Overseas⁷² and the Priority Program for Attracting Foreign Direct Investment⁷³, the government will secure highly skilled young foreign human resources in Southeast and South Asia by strengthening cooperation with local universities and considering necessary measures based on the survey on improvement of the status of residence system.

⁷⁰ In priority areas such as decarbonization, this type of cooperation is aimed at realizing development goals together through proposals for assistance suitable for each country and dialogue with partner countries.

⁷¹ Greenhouse gas emission control technology and smart agriculture technology.

⁷² Decision of the Council for Promotion of Foreign Direct Investment in Japan on April 26, 2023.

⁷³ Decision of the Council for Promotion of Foreign Direct Investment in Japan on May 13, 2024.

The government will also promote accepting excellent international students through inviting world top-level researchers and prioritizing the allocation of scholarships to students in specific regions, encourage collaboration between overseas and domestic companies including capital investment, etc., and work on public relations of these initiatives around the world. We will follow up these initiatives.

The government will strategically engage in global health from the perspectives of the correction of health disparities in Asian countries and the rest of the Indo-Pacific region, and of the growth of Japan's medical and long-term care industries through the leverage of overseas vitality. In cooperation with the WHO, the World Bank, and others, we will establish the UHC Knowledge Hub in Japan as a global hub for human resource development and knowledge gathering; develop foreign medical personnel in cooperation with ERIA; expand medical and long-term care internationally, including medical inbound; contribute to the Vaccine Alliance and the Stop TB Partnership⁷⁴, promote the efforts of the Alliance for Transformative Action on Climate Change and Health (ATACH⁷⁵) to build a climate change-resilient, low-carbon and sustainable healthcare system; and attract private funds, including impact investments.

In order to strengthen the financial system, Japan will contribute to international discussions on the appropriate modus of regulation and supervision at the Financial Stability Board (FSB),⁷⁶ etc., as well as such discussions on how to respond to new risks.

(Overseas expansion of the content industry)

The government will promote the Content Industry Revitalization Strategy⁷⁷ for anime, music, broadcast programs, movies, games, manga, etc., through public-private partnerships.

The government will establish the Content Industry Public-Private Council⁷⁷ and the Film Strategic Planning Committee⁷⁷ as its control towers, respectively, and integrate relevant measures from the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Economy, Trade and Industry into the Creator Support Fund in order to provide consistent and strong support.

With regard to the content industry, we will support overseas expansion of

⁷⁴ An international public-private partnership aimed at ending tuberculosis by 2030, with the United Nations Office for Project Services serving as the secretariat.

⁷⁵ Abbreviation of Alliance for Transformative Action on Climate and Health.

⁷⁶ Representatives from central banks and financial supervisory authorities of major countries and regions discuss international issues related to financial system stability, including coordination of works by standard-setting entities in the banking, securities and insurance sectors.

⁷⁷ Grand Design and Action Plan for a New Form of Capitalism 2024 Revised Version (Cabinet Decision on June 21, 2024).

production companies, such as by exhibiting at international trade fairs and film festivals and will provide study-abroad support for students and others aiming to become creators.

The government will support production companies that raise their own funds for the production of their works and encourage overseas production companies to shoot large-scale video works on locations in Japan using advanced digital technologies such as VFX⁷⁸.

The government will develop a proper work environment for production sites and further improve the relevant environment in terms of wage payment so that creators in the content industry can continuously work with peace in mind. The Japan Fair Trade Commission and other relevant ministries and agencies will cooperate to conduct a survey or surveys of transactions between performers and their offices in the field of music and broadcast programs by the end of 2024 and, based on the results of the survey(s), start drafting guidelines for the optimization of transactions relevant to creators.

Based on the new Cool Japan Strategy,⁷⁹ we will support the construction of business models utilizing new technologies such as web3, support the discovery of excellent creators, nurture production and management personnel, and work on measures against pirated editions.

(Acceptance of foreign nationals)

Based on the Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals⁸⁰, etc., the government will work on integrating the My Number Card and the Residence Card, developing and utilizing a system of Accredited Japanese-language institutes, developing systems for regional Japanese language education and education using a model curriculum for daily Japanese and education of foreign students, securing online learning opportunities and etc. In cooperation with relevant organizations, we will work on preparing for the introduction of an electronic system for travel authorization for smooth and strict screening as part of the Immigration DX, protecting and supporting refugees, etc. promptly and reliably, and solving the issue of deportation evasion through diversified deportation methods.

With regard to the Employment-for-Skill-Development-Program— replacing the technical intern training program — we will develop a necessary system, set up the expected number of acceptances each field and the targeted industrial fields, and

⁷⁸ Abbreviation of Visual Effects. A technique for imparting various unreal performances and effects to a shot image after the shooting.

⁷⁹ Decision of the Intellectual Property Strategy Headquarters on June 4, 2024.

⁸⁰ Revised in FY 2024 (Decision of the Ministerial Conference on Acceptance and Coexistence of Foreign Nationals on June 21, 2024).

embody policies concerning the stricter criteria of license system for supervising and support organizations, etc. With regard to the Specified Skilled Worker System, we will take appropriate measures for its optimization, including strengthening cooperation between the implementing organizations and local governments. Appropriate working environments shall be ensured through securing compliance with minimum wages and equal pay for equal work.

(3) Promoting the EXPO 2025 OSAKA, KANSAI, JAPAN

In preparation for the opening of EXPO 2025 OSAKA, KANSAI, which is a laboratory for a future society, the government will ensure the proper participation/exhibition of various countries/international organizations, the construction of venues, and security, including disaster response, and will properly execute and manage the relevant budgets. We will also demonstrate, implement, and disseminate technologies that will solve social issues such as mobility, energy/environment, digital, life science, and space under the theme of “Designing a Future Society for Our Lives.” The government will work on building momentum across the country by, for example, having children and youths in Japan and Expo participant countries engage in exchanges. We will work to attract Expo visitors to the countryside.

We will steadily prepare for the International Horticultural Expo 2027, Yokohama, Japan.

5. Responding to social issues through regional revitalization and local initiatives

(1) New developments of the Vision for a Digital Garden City Nation and regional revitalization

In order to overcome the rapidly declining birthrate, the aging population, and the nation’s declining population, and so as to build a sustainable community where residents can feel affluence and happiness, we need to thoroughly utilize new technologies to solve local social issues, to rectify the monopolistic concentration in Tokyo and pursue multipolarity, as well as to bring about nationwide growth from local growth. Under such recognition and in light of the Initiatives for Local Community Revitalization in 10 years and Directions to Promote in the Future, in order to respond to the remaining issues such as the declining population, the monopolistic concentration in Tokyo, the declining working-age population and the declining sustainability of daily life in the local community, etc., the government will strongly support local initiatives such as the creation of an attractive community for women and young people, including accompanying support, and will pursue new

developments of local community revitalization with a strong sense of urgency under public discussions. In addition to accelerating local community revitalization by utilizing the power of digital technology, the government will promote the formation of regional living areas where services necessary for daily life are provided on a sustainable basis regardless of administrative districts, as well as the creation of a decentralized nation that is mutually beneficial to the regions and Tokyo, and will develop the Vision for a Digital Garden City Nation into national land formation.

In order to create model communities committed to social implementation of cutting-edge technologies in accordance with the needs of local communities, the government will package and support institutional and regulatory reforms, inter-policy and inter-regional partnerships, and the prioritization of support for effective initiatives through grants for the Vision for a Digital Garden City Nation, while utilizing Super Cities, Digital Garden Health Special Zones, and “*Kizuna*” Special Zones for Cooperation, *etc.* We will promote effective and efficient lateral deployment of service systems that support good practices such as 5G utilization, development of digital infrastructure such as optical fiber, 5G, and data centers nationwide, and development of digital human resources.

(2) Digital Administrative and Fiscal Reform

In view of the rapid decline in population, *etc.*, the government will review appropriate modus of the administrative and fiscal conditions at the user's point of view, and implement measures based on the Report of Digital Administrative and Fiscal Reform 2024⁸¹ to realize the maintenance and enhancement of public services, *etc.*, by making the best use of digital.

In the fields of education, transportation, medical and long-term care, child care, welfare consultation, disaster prevention, *etc.*, the government will review regulations and systems and develop systems to improve the sustainability and convenience of services such as the social implementation of autonomous driving. Based on the discussions at a series of The Council for Promotion of Regulatory Reform, we will make so-called ride-sharing widely available nationwide on the premise of safety, from the viewpoint of using digital technology, to lay the path for solving the shortage of mobility nationwide. Therefore, in order to solve the shortage of mobility across the country, the government will carry out monitoring and verification of the private car utilization project and the like, so as to evaluate the verification results at each point in time. Concurrently, during such verification, we will discuss an appropriate modus of the ride-sharing project to be conducted by persons other than taxi operators, including the relevant legal system, based on the

⁸¹ Decided by the Meeting for Digital Administrative and Fiscal Reform on June 18, 2024.

summary of issues by the Cabinet Office and the Ministry of Land, Infrastructure, Transport and Tourism.

Based on the Basic Policy on the Development and Operation of Common Digital Infrastructure for National and Local Governments⁸², we will put into place a liaison and consultation system between the national and local governments this summer so that they can use common digital services. Eliminating the negative effects of vertical division, ministries and agencies will work together with the Digital Agency and the Ministry of Internal Affairs and Communications to proactively review operations and build systems, and will promote initial development, transition and dissemination support, development of digital public infrastructure such as Base Registry, and dissemination support to local governments, while securing necessary specialized human resources with the Digital Agency at the center. At the same time, we will form a hub function for promoting the public service DX in each prefecture, and the respective prefectures will support the local governments in their regions, while the national government will support the recruitment of specialized human resources. In addition, the government will improve efficiency by visualizing the information system expenses of each government agency. In order to promote reforms in important areas, the government will monitor and improve policy progress by setting medium- and long-term KPIs and building logic models, etc. In addition, based on the Cross-Sectional Policy for Checking and Reviewing the Fund⁸³ and the results, we will continue to review the Fund as a whole and promote PDCA initiatives based on the EBPM approach, including the return of surplus funds to the national treasury and improvement of performance targets from the viewpoint of effective utilization of the Fund. At the same time, the government will strengthen the coordination between the review of administrative projects and the budget for the entire budget projects and promote systematization and openness.

(3) Revitalizing local communities and expanding exchanges among them

(Redesigning for developing a sustainable and vibrant national land and transportation)

In order to build a sustainable national land, the government will deepen and develop the initiatives of the Compact Plus Network by promoting the formation of the consolidation bases of various service functions and regional life zones, as well as by strengthening the connection of the entire national land.

⁸² The Priority Plan for Realizing a Digital Society (Cabinet Decision on June 21, 2024).

⁸³ Cross-sectional Policy for Checking and Reviewing the Fund (Decision of the Administrative Reform Promotion Council on December 20, 2023).

Toward sustainable regional development, the government will work to revitalize cities, strengthen international competitiveness, create people-centered, compact and green towns⁸⁴, promote local activities that aim at realizing nature positive⁸⁵, as well as encourage a green infrastructure, etc.⁸⁶. With regard to local public transportation, the government will accelerate the redesigning initiatives⁸⁷ such as transportation DX and GX, cooperation and collaboration with various stakeholders, reconstruction of local railways, activation of route buses, and utilization of local private cars and general drivers, including private paid passenger transportation, to promote labor saving, and to secure personnel in charge. We will make further efforts to enhance the functionality of trunk railways in accordance with local circumstances, which will also contribute to the realization of the Vision for a Digital Garden City Nation. In addition, with regard to securing the shopping environment, which is an issue directly linked to regional sustainability, the government will support local governments' proactive efforts, including the development of shopping hub facilities in accordance with the respective local circumstances, as well as disseminating and deploying good practices horizontally.

In order to strengthen 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 lines⁸⁸, Linear Chuo Shinkansen, urban railways, ports and airports, the strengthening of modal connections, the maintenance and activation of aviation and maritime networks, and the strengthening of competitiveness in the shipbuilding and shipping industries, as well as the securing and nurturing of personnel in charge. And we will also conduct research and studies on various issues, including the direction, in accordance with the actual situation of the basic planned routes and trunk railway networks. With regard to the Linear Chuo Shinkansen, based on financial investment and loan program support, the government will strictly monitor the status of the environment and water resources as well as the financial conditions of construction entities and provide necessary guidance and technical support so that the development of the line can proceed appropriately under the current assumed timing for the opening of the entire line⁸⁹. In addition, in order to maximize the effect of the development of

⁸⁴ Use of parks, traffic safety measures for school routes and others, promotion of the use of bicycles, use of post offices as a base for consolidating and providing various services, and so on.

⁸⁵ Based on the Act on Promoting Activities to Enhance Regional Biodiversity (Act No. 18 of 2024).

⁸⁶ This includes the preparation of data on natural capital, etc., the dissemination of such information, and the initiative to form international rules.

⁸⁷ Based on the Summary Reporting of the Meeting on Realization for Redesigning Local Public Transportation (May 17, 2024).

⁸⁸ Currently, necessary studies are being carried out, and we will further work on the early development of the sections where construction has not yet started.

⁸⁹ In 2016, the government provided long-term, fixed and low-interest loans of 3 trillion yen for two years between 2016 and 2017, using the fiscal investment and loan program, in order to move up the assumed timing

the line from Nagoya to the west, we will promote the community development, including the area around stations in cooperation with local governments along the line, by for example, deepening reviews of the stations⁹⁰ from Nagoya to the west. At the same time, the government aims to maximize the economic benefits to the Tokai region by improving convenience in the region by utilizing the surplus transportation capacity of the Tokaido Shinkansen.

In order to achieve sustainable growth in logistics, the government will integrally implement fundamental and comprehensive measures such as strengthening the functions of logistics bases and networks, improving efficiency through modal shifts, logistics DX and standardization, rectifying business practices, changing the behavior of shippers and consumers, and establishing an enforcement system for the revised Logistics Act, etc.

(Community development leveraging individuality and expanding the population with strong relationship to the areas)

With the aim of creating a region that takes advantage of its individuality, the government will promote the development of Okinawa and Hokkaido⁹¹, and take measures to address areas where conditions are unfavorable, such as depopulated areas, peninsulas, remote islands, Amami, Ogasawara, and areas with heavy snowfall, etc. In order to realize a strong Okinawa economy, the government will comprehensively promote measures to promote Okinawa as a national strategy, such as by improving the quality of tourism and decarbonization, promoting industries such as support for entrepreneurship at the Okinawa Institute of Science and Technology Graduate University, improving the settlement environment in the northern part of the prefecture and remote islands, etc., acquiring the site of the Marine Corps Air Station Futenma in advance with a view to its return and its integral use with Naha Airport, etc., measures against child poverty and working to establish a well-being base for children by integrating education, medical care, and welfare, and enhancing peace learning. Based on the Hokkaido Comprehensive Development Plan⁹², the government will promote initiatives such as maintaining and developing Production Spaces that support food, tourism, and Zero Carbon Hokkaido, promoting the integration of digital industries, and promoting the development of the Region neighboring the Northern Territories further in an

for the opening between Tokyo and Osaka by up to eight years (2037 at the earliest) from the initial target of 2045.

⁹⁰ With regard to the locations of stations, in addition to Shin-Osaka Station, three stations in Mie Prefecture (Area A (east side of Kameyama Station), Area B (west side of Kameyama Station) and Area C (south side of Kameyama Station)) and three stations in Nara Prefecture (around JR Narayama Station, JR New Station and the place where JR Kansai Main Line and Kintetsu Kashihara Line intersect) are candidates. The locations are to be specified during the environmental impact assessment procedures by construction entities.

⁹¹ This includes the strengthening of the national support system.

⁹² Decided by the Cabinet on March 12, 2024.

integrated manner with the region. The government will strive to create a society in which the pride of the Ainu people is respected, such as by enhancing Upopoy National Ainu Museum and Park.

In order to create and expand human flows, the government will strengthen efforts to encourage young people to migrate to rural areas and promote the relocation of enterprises to rural areas through the use of the tax system to strengthen local bases, the establishment of community-based enterprises through industry-academic-government-financial cooperation, and efforts to secure local human resources, such as Local Vitalization Cooperators⁹³. The government will develop infrastructure and other facilities⁹⁴, including coworking spaces to expand the population with strong relationship to the areas and promote diverse lifestyles such as dual habitation and multi-location life.

(Promoting Japan as a sustainable tourism nation)

The government will work strategically to achieve 60 million foreign visitors to Japan and 15 trillion yen in their spending by 2030.

For inbound tourism mainly in rural areas, while refining and cooperating with Japan's unique tourist and cultural resources such as hot springs, inns, food, and history, the government will promote the provision of special experiences, the creation of diverse local tourism content⁹⁵ such as adventure tourism, the development of human resources for tourism, including local guides, creating luxury inbound tourist destinations, the improvement of the attractiveness of national parks, quasi-national parks, national gardens, and public facilities⁹⁶, the development of reception environments for airports⁹⁷, CIQs, and secondary transportation, revival of cruises and cruise hub formation, the review and proper use of the consumption tax exemption system, the strategic promotion, the dissemination of attractiveness of traditional knowledge and skills of sake-making with koji mold in Japan, the attraction and holding of MICE, the development of integrated resorts (IR), including strict casino regulations, the promotion of the use of digital nomad visas, and the expansion of outbound and international exchanges.

With the aim of improving sustainable tourism regions, the government will encourage the renovation, etc., of accommodation facilities and tourist facilities on

⁹³ This includes the use of community revitalization entrepreneurs and specific community development project cooperatives.

⁹⁴ This includes efforts based on the Act for Partial Revision of the Act on Infrastructure Development for Wide-Area Regional Revitalization (Act No. 31 of 2024).

⁹⁵ This includes cooperation in research and studies as well as dissemination of information by relevant organizations for branding traditional events and hot springs for their sustainability and development.

⁹⁶ This includes the maintenance and conservation of mountain huts and trails as well as utilization of long trails.

⁹⁷ This includes promoting efforts to secure and nurture human resources in airport operations such as ground handling and security screening.

a planned and continuous basis and promote revitalizing and adding high-value to tourist destinations and the tourism industry. The government will take comprehensive measures to counter the shortage of human resources by improving the efficiency and labor saving of business in tourism DX, tourist destinations and the tourism industry, and utilizing foreign nationals. The government will promote taking measures against overtourism and the establishment of management systems for tourist destinations.

With the aim of expanding domestic exchanges, the government will promote WORKATION, universal tourism, and other measures so as to level demand and expand new exchange markets.

(4) Sustainable growth of agriculture, forestry and fisheries, and food security

In response to the revision of the Basic Act⁹⁸ for the first time in a quarter of a century to ensure food security⁹⁹ and establish a food system in harmony with the environment as a new pillar, and to promote the sustainable development of agriculture and the revitalization of rural areas, the government will revise the Basic Plan¹⁰⁰ by the end of FY 2024. Based on the plan, the government will enhance and strengthen measures and secure a system to ensure that the structural transformation of agriculture can be promoted intensively in the first five years, and aim to raise income through the realization of the profitability of agriculture, forestry and fisheries.

In order to ensure food security, the government will set new targets including the food self-sufficiency ratio and other indexes, and strengthen the production base of agriculture, forestry, fisheries and the food industry, and promote structural changes such as the expansion of domestic productivity of food and production materials that are highly dependent on imports¹⁰¹, including the conversion of paddy fields into multipurpose paddy fields and upland fields, while ensuring stable imports and stockpiles. We will promote the export of agricultural, forestry and fishery products and foods in response to overseas demand with a view to strengthening the food supply base as well. In addition to formulating basic policies to prepare for food supply difficulties, the government will proceed with consultations on the preparation of cost indicators, aiming to submit to the next ordinary Diet session a bill on the relevant legal system to ensure the sustainability of the food system, including institutionalization of the formation of reasonable food prices. In order to facilitate the provision of food to people who have difficulty accessing grocery stores

⁹⁸ Basic Act on Food, Agriculture and Rural Areas (Act No. 106 of 1999).

⁹⁹ A condition where good food is stably supplied at reasonable prices, with access to it for each citizen.

¹⁰⁰ Basic Plan for Food, Agriculture and Rural Areas (Decided by the Cabinet on March 31, 2020).

¹⁰¹ Increase production area by 9% for wheat, 16% for soybeans, 188% for rice for rice flour, 32% for feed crops, and double the use of compost and sewage sludge resources by 2030, compared to 2021.

and children of impoverished households, the government will promote initiatives in line with the Package of Support Measures for Ensuring Food Access¹⁰².

With the aim of establishing sustainable food systems, we will work on the reduction of the environmental burden by implementing cross-compliance and supporting advanced initiatives¹⁰³ such as organic agriculture.

For the sustainable development of agriculture, the government will promote the development and securing of personnel in charge based on regional plans, the agglomeration and intensification of agricultural land, land improvement projects, and the development and activities of service business entities, as well as the securing and proper and effective use of total agricultural land, the strengthening of the management base of agricultural corporations in cooperation with the food industry, the development of smart technologies and the conversion of production methods and the acceleration of the implementation of these technologies, management stabilization measures, livestock disease control, and the promotion of women's participation, etc. In response to the declining population, the government will also aim to submit legislation on land improvement for the appropriate conservation and management of irrigation drainage facilities, etc., to the next ordinary Diet session. In order to promote rural areas, the government will promote the conservation and the measures against the extensive use of agricultural land in hilly and mountainous areas, the promotion of local industries that contribute to the increase in the number of people involved in rural areas, agriculture and welfare collaboration¹⁰⁴, measures to combat wildlife nuisance, and the promotion of rice terraces.

The government aims to submit to the next ordinary Diet session a legal system to promote the development of management entities that can use forest resources sustainably and to promote consolidation of forestry operations. We will move ahead with the improvement of forest roads and other infrastructure, reforestation, shift to domestic timber, expansion of timber use¹⁰⁵, and measures against pollen allergy, etc.

We will properly manage fisheries resources, convert operational forms, make the aquaculture industry a growth industry, nurture human resources to become fishery operators, stabilize their businesses, improve fishing vessels and other production infrastructure, and promote UMIGYO (Projects that utilize the value and

¹⁰² Decision of the Liaison Conference of the Ministries concerned on the issue of food access on March 27, 2024. This includes the introduction of mobile catering vehicles and the support for food banks and children's cafeterias. In parallel, the government will promote urban agriculture, which will also contribute to improving food access.

¹⁰³ The government is considering the establishment of a system around fiscal 2027 to provide subsidies for advanced initiatives to reduce the environmental burden.

¹⁰⁴ Based on the Vision for Promotion of Agriculture and Welfare Collaboration (2024 Revised Edition) (Decision of the Meeting on Promotion of Agriculture and Welfare Collaboration on June 5, 2024).

¹⁰⁵ JAS structural material, CLT (cross laminated timber), etc.

attractiveness of local resources in the sea and fishing villages) nationwide.

6. Building an inclusive society in which people can feel happy

(1) Building an inclusive, cooperative, and women-empowering society

(Inclusion)

As family ties and local ties are being diluted, it is important to realize an inclusive society in which each person has a purpose and role to live beyond the respective frameworks of institutions and fields as well as the traditional relationships of those on the supporting side and those on the supported side. To this end, while disseminating the guidelines for lifetime support providers for the elderly and the like, the government will continue to promote cross-government measures for the elderly living alone and the like, such as examining ways to provide necessary support, including information registration platforms. In addition, toward the realization of an inclusive society where people with dementia can live with dignity and hope, we will enact the dementia basic plan, and promote dementia measures¹⁰⁶. Moreover, with the aim of building an inclusive and cooperative society in which people can live safely and securely in their communities, the government will formulate a new guideline of measures for ageing society this summer. Mainly based on the revised Act on Self-Reliance Support for Needy Persons¹⁰⁷, the government will promote the integrated implementation with the self-reliance support system for needy persons in order to create a welfare system that can be used appropriately and that leads to self-reliance. With regard to the standards for livelihood assistance, we will take necessary measures based on socioeconomic conditions, etc. As for housing support, the government will strengthen the relevant support through the self-reliance support system for needy persons and the housing safety net system. For example, the related ministries and agencies will cooperate to promote the development of an environment in which persons requiring special assistance in securing housing can live with peace of mind. In addition, the government will promote universal design community development and barrier-free mindset initiatives, support the employment and community life of persons with disabilities¹⁰⁸ based on the Fifth Term Basic Plan for Persons with Disabilities¹⁰⁹, promote lifelong learning, expand the number of

¹⁰⁶ This includes initiatives based on the results of demonstration projects such as cognitive function tests for early detection and early response of dementia and mild cognitive impairment.

¹⁰⁷ Act for Partial Revision of the Act for Supporting the Self-Reliance of Persons in Need and Other Laws (Act No. 21 of 2024).

¹⁰⁸ This includes considering measures to support persons who are blind in one eye while listening to opinions of the persons.

¹⁰⁹ Decided by the Cabinet on March 14, 2023.

municipalities implementing the multi-tiered support system development projects, comprehensively protect the rights of persons with disabilities, including adult guardianship systems, and promote the resolution of the problem involving persons without a family register. The government will steadily promote support for hikikomori (also known as severe social withdrawal), such as by taking measures based on The General Principles of Suicide Countermeasures Policy¹¹⁰ and strengthening the employment support system at local youth support stations. With regard to sexual orientation and gender identity, the government will promote various measures based on the Act on Promoting Public Understanding¹¹¹. We will promote animal welfare and management.

In line with the Priority Plan¹¹² based on the Act on the Advancement of Measures to Address Loneliness and Isolation¹¹³, the government will steadily promote initiatives such as backing up local governments at the stage of establishing the local Public-Private Coordination Platforms which serve as the foundation for the coordination among local governments and NPOs and Local Councils, supporting various activities of NPOs and others on an ongoing basis, fostering principal supports and those who are interested in those around them, and that they support troubled people where possible (so-called “Tsunagari Supporters”), creating places where people can build loose bonds from the perspective of preventing states of loneliness and isolation, and promoting cross-sectoral coordination to create bonds among people, while also utilizing grants and other resources.

Employment support for the employment ice-age generation has achieved a certain level of results over the five years of intensive efforts. From the next fiscal year onward, the government will support this generation through measures aimed at middle-aged and elderly people, providing seamless and effective support from consultation and reskilling and upskilling to employment and retention. In addition, in cooperation with local governments, we will provide broad-based social participation support, including reskilling and upskilling for employment, in accordance with individual circumstances.

(Cooperation)

In addition to the promotion of donations, the government will strengthen support for private entities working to solve social issues, including support through intermediate support organizations that support NPO projects, and work to develop

¹¹⁰ Decided by the Cabinet on October 14, 2022.

¹¹¹ Act on Promoting Public Understanding of Diversity in Sexual Orientation and Gender Identity (Act No. 68 of 2023).

¹¹² Decision of the Headquarters for Advancement of Measures to Address Loneliness and Isolation on June 11, 2024.

¹¹³ Act No. 45 of 2023.

the social sector. With the aim of promoting activities of incorporated NPOs, the government will put into place a proper environment to promote online administrative procedures as well as measures against the financing of terrorism to enhance the soundness of international cooperation activities. In order to revitalize public interest activities by public interest corporations and charitable trusts, the government will develop necessary systems for implementing the new system¹¹⁴, as well as a unified information provision platform. With regard to the dormant deposit utilization system, we will promote the development and self-reliance of organizations working to solve social issues via the relevant activity-support organizations as well as through smooth implementation of the related investment projects. The government will work to further expand the use of the Pay For Success contracting system (PFS), including the Social Impact Bond (SIB), by examining the relevant performance evaluation and supporting the verification. With regard to the Hometown Tax donation system for enterprises, we will comprehensively examine the status of our engagement to date, and consider how the system should be implemented in the future.

(Active participation of women)

In order to contribute to the resolution of the L-curve issue toward women's economic independence, based on the Basic Policies for Women 2024¹¹⁵, the government will strengthen the recruitment, development, and promotion of women so as to achieve the numerical targets for female executives of companies listed on the Prime Market, support female entrepreneurs, promote reskilling and upskilling such as raising women's income and helping women get employed in the digital sector, support their balancing of work with childcare, long-term care, and health issues through the use of investor evaluations, raise awareness to promote women's empowerment, including the elimination of the effect of unconscious bias, and promote women's further advancement in the public service sector. We will also promote the formation of a gender-equal society at the regional level through the examination and elaboration of new core organizations. In addition, with the aim of increasing the proportion of women among university and college of technology (KOSEN) students, teachers, etc., in the field of IT and other science and engineering fields, the government will promote joint efforts by industry, academia, government, and communities to foster the interest of female junior and senior high school students and expand their motivation and abilities, as well as the promotion

¹¹⁴ Act for Partial Revision of the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations (Act No. 29 of 2024) and Act on Charitable Trusts (Act No. 30 of 2024).

¹¹⁵ The Basic Policy on Gender Equality and Empowerment of Women 2024 (Decided by the Headquarters for Creating a Society in which All Women Shine and the Headquarters for the Promotion of Gender Equality on June 11, 2024).

of women to higher positions in universities. The government will work on advancing disaster prevention and reconstruction from the perspective of gender equality¹¹⁶, the promotion of women, peace and security (WPS¹¹⁷) agenda, the promotion of measures against sexual crimes, sexual violence, and domestic violence, including enhancing consultation and support for various victims¹¹⁸, the strengthening of support for women with difficult problems by steadily implementing laws on support for them, such as establishing public-private collaboration-type support systems, the promotion of measures against malicious “host clubs”, the enhancement of consultation support systems in workplaces and communities based on gender differences, the promotion of FemTech, and the support for lifelong women’s health, such as the enhancement of medical services and research at the (provisionally named) National Center for Women’s Health.

From the perspective of gender equality, the government will promote the participation of women in the policymaking process. In planning and implementing policies and projects, we will consider sex-disaggregated differences in the impact and needs, and will strengthen necessary sex-disaggregated data collection and analysis.

(2) Realizing safety and securities of people’s lives with a rich-heart

(Safety and security)

In order to ensure good public security, the government will promote measures to prevent terrorism, to protect the public citizens in the event of an emergency, and to counter Money Laundering, Terrorist Financing, and Proliferation Financing (ML/TF/PF), including efforts through multilateral frameworks.

Safety measures in the transportation sector will be taken in light of the aircraft crash at Haneda Airport, etc. The government will work to prevent fraud by automobile manufacturers, etc., prevent accidents by elderly and other drivers, and support victims of automobile accidents.

The government will strengthen deterrence and response capabilities based on the Comprehensive Measures to Protect People from Frauds,¹¹⁹ including requiring platform operators to quickly remove and respond to fraud involving fake advertisements impersonating celebrities. We will work to ascertain the reality of

¹¹⁶ This includes providing disaster response with due regard to the different impacts and needs between women and men from disasters, and promoting greater participation of women in the decision-making process for policies on disaster prevention and reconstruction.

¹¹⁷ Women, Peace and Security.

¹¹⁸ This includes thorough dissemination of the content and purpose of the Act for Partial Revision of the Penal Code and the Code of Criminal Procedure (Act No. 66 of 2023), etc. to deal with sexual offenses, and steady consideration for prompt implementation of investigations into the actual conditions of sexual victimization, such as the difficulty of reporting victimization.

¹¹⁹ Decision of the Ministerial Meeting Concerning Measures against Crime on June 18, 2024.

online gambling and to publicize and raise awareness about the illegality of such cases.

Based on the Second Term Recidivism Prevention Promotion Plan¹²⁰, the government will promote measures such as enhancing support for volunteer probation officers¹²¹. We will enhance preventive justice support functions for issues in Japan and abroad and comprehensive legal support, digitalizing the judicial field and national bar examinations, take tougher measures to combat human rights violations on the Internet, and improve the personnel and material foundations that should secure legal professionals and promote law related education. We will also strengthen measures for crime victims, etc., based on The Fourth Basic Plan for Crime Victims, etc.¹²² By deploying the outcomes of the "Justice Affairs Diplomacy" Ministerial Forum¹²³, the government will promote international cooperation and justice affairs diplomacy under our coordinated diplomatic approach including legal technical cooperation to promote the rule of law¹²⁴. In addition, we will work to invigorate international arbitration by taking various measures including raising awareness of arbitral institutions in close cooperation between the public and private sectors, develop international legal human resources¹²⁵, and promote translation of laws and regulations into foreign languages.

The government will work to establish a highly reliable system of Foods with Function Claims. The Basic Policy¹²⁶ will be revised within FY 2024 to reduce food loss and waste, including promoting food donations. In light of digitalization and other factors, we will formulate a new Basic Plan on Consumer Policy within FY 2024, including reform of the whistleblower protection system and promotion of the Consumer Affairs Consultation DX.

The government will strengthen measures against harassment in the workplace, including customer harassment, with a view to considering legislation.

Based on the Overall Picture of the Measures Against Pollen Allergy¹²⁷, the government will take measures against sources¹²⁸ aiming to halve the amount of pollen produced in about 30 years, including cutting and replanting in the priority areas for cutting down Japanese cedar plantations. We will promote measures

¹²⁰ Cabinet Decision on March 17, 2023.

¹²¹ This includes enhancing treatment based on the establishment of imprisonment and strengthening cooperation with local governments.

¹²² Decided by the Cabinet on March 30, 2021.

¹²³ Held from July 6 to 7, 2023.

¹²⁴ In August 2024, a new multilateral joint research project is launched.

¹²⁵ The ASEAN-G7 Next Leaders Forum will be held for the first time in June 2024.

¹²⁶ Basic Policy on Promotion of Food Loss and Waste Reduction (Cabinet Decision on March 31, 2020).

¹²⁷ Decision at the meeting of the Council of Ministers on Pollen Allergy on May 30, 2023.

¹²⁸ This includes research and development of vaccines and therapeutics, and promotion of public-private cooperative efforts to commercialize cedar pollen rice.

against heat illness, such as the use of Special Heat Stroke Alert information.

In order to prevent injury or death caused by bears, the government will promote the prevention of infestations in people's living areas based on the Policy Package of Measures Against Bear-Inflicted Damage¹²⁹.

The government will promote early detection and rapid response for long-horned beetles and the like, which have become newly regulated under the revised Invasive Alien Species Act¹³⁰.

The government continues promoting investigation and research regarding post COVID-19 condition and side effects after vaccination. The government will make every effort to respond to the next infectious disease crisis, including information collection and analysis in normal times, research and development of vaccines, diagnostics, and therapeutics, human resource development, and sewage surveillance in normal times, based on the fully revised the National Action Plan for Novel Influenza, etc.¹³¹. We will also establish the Japan Institute for Health Security in April 2025 to rapidly provide high-quality scientific knowledge.

The government will promote measures against zoonotic diseases such as online procedures related to the Rabies Prevention Act¹³²¹³³.

The government will enhance scientific knowledge and promote necessary countermeasures based on the Direction of Future Actions on PFAS¹³⁴.

(Culture, arts and sports)

The government will promote public-private partnership investment to an internationally comparable level, realize a virtuous cycle of new value creation and economic growth through the soft power of culture and arts, and realize a country with a rich heart, diversity, and vitality in culture and the arts. To this end, we will nurture the next generation of creators and artists, and develop a proper environment¹³⁵ to promote vibrant activities, such as strengthening the functions of cultural facilities that will serve as bases. The government will take responsibility for the urgent redevelopment of the National Theater, which will become the face of Japan's culture and arts. In addition, the government will promote the development of a base with the functions of the National Center for Media Arts (tentative name)

¹²⁹ Announced on April 15, 2024.

¹³⁰ Act Partially Amending the Act on the Prevention of Adverse Ecological Impacts Caused by Designated Invasive Alien Species (Act No. 42 of 2022).

¹³¹ Decided by the Cabinet on June 7, 2013, partially amended on September 12, 2017.

¹³² Act No. 247 of 1950.

¹³³ Refers to addressing cross-cutting issues related to human and animal health and the environment through concerted efforts by relevant parties, and such efforts are promoted based on the One Health approach.

¹³⁴ Announced on July 31, 2023. PFAS is a generic term for perfluoroalkyl compounds and polyfluoroalkyl compounds.

¹³⁵ This includes the functional improvement of culture and arts organizations, the establishment of a governance system, and the strengthening of activity bases for artists and the like.

in cooperation with industry. Moreover, we will strengthen the relevant functions, including the global expansion of national cultural facilities, which will become international bases, such as the New National Theater, and strengthen the dissemination to both inside and outside of Japan by utilizing digital technologies in use at museums and art galleries, etc. We will establish a virtuous circle in which many people gather at these cultural bases, enjoy culture and arts, and invest in the next generation to take charge of the future. In addition, the government will promote the sustainable preservation and utilization of cultural properties in an integrated manner¹³⁶, including efforts to establish a system for ascertaining, preserving, and inheriting cultural properties, strengthening the enhancement of added value of cultural properties through public-private partnerships, and revitalizing Japan Heritage. Furthermore, the government will promote local community revitalization through the promotion of food culture and other lifestyle culture, architectural culture, and cultural tourism, the revitalization of art markets, and the strengthening of global expansion capabilities through Japan Expo 2.0, etc. We will also promote DX, including digital archiving¹³⁷ and the return of compensation to creators, secure opportunities for children and persons with disabilities to view and experience culture and arts, promote traditional performing arts, theatrical arts¹³⁸, Japanese cinema, and print culture, including books (which includes promoting cooperation between bookstores and libraries and promoting barrier-free reading), and activate bookstores. By strengthening the functions of Kitanomaru Garden, we aim to improve its attractiveness as a hub for the transmission of cutting-edge science and technology, culture and arts. The government will promote strengthening of the functions of the National Archives of Japan with a view to opening its new annex.

By maximizing the power of sports, the government will bring out the vitality of our country and its people, and carve out a vibrant future for Japan. For this purpose, the government will promote martial arts and sports tourism, popularize sports hospitality, develop and utilize stadiums and arenas, promote sports complexes in which facilities are developed and utilized in a comprehensive and complex manner for community development, collaborate with sports DX and other industries, including the utilization of esports, expand overseas, and improve life performance through advanced technology-based conditioning. Through these measures, we aim to activate society by sports, such as revitalizing local communities, boosting

¹³⁶ This includes the promotion of securing human resources, including raising the wages of repair technicians based on the artisans projects for cultural properties, the development of the National Cultural Properties Repair Center, the promotion of initiatives based on the basic plan of the Takamatsuzuka Tomb Mural Painting Preservation and Management Publicity Utilization Facility (tentative name), and local exhibitions of some of the collection of the Museum of the Imperial Collections, Sannomaru Shozokan.

¹³⁷ Refers to efforts to compile and share digital archives, as well as to promote their use.

¹³⁸ Including support for theaters, music halls, etc.

economic growth, and promoting health. The government will promote sports for the persons with disabilities in cooperation with private companies and enhance the local sports environment in a comprehensive manner¹³⁹ to create a place where everyone can feel comfortable in sports. We will also support the hosting of large-scale international tournaments¹⁴⁰, and enhance sustainable international competition power.

7. Responding to changing environments of the international community to form a basis for sustainable economic growth

(1) Diplomacy and security

(Diplomacy)

Tensions are rising in the international community, with Russia's aggression against Ukraine and the situation in the Middle East. In order to protect Japan's national interests, including peace, security and prosperity, Japan will actively engage in diplomacy¹⁴¹ to uphold and strengthen a free and open international order based on the rule of law, thereby securing our trust as a global partner and leading the international community toward global stability and prosperity. To that end, we will further strengthen our diplomatic capabilities.

To achieve the Free and Open Indo-Pacific, Japan will build on the Japan-U.S Alliance and work together with allies and like-minded countries in Europe, NATO, ASEAN, Pacific Island countries, and the Middle East, including Australia, India, South Korea, the United Kingdom, and the Philippines. The government will develop and strengthen rules on global issues such as food, health, climate change, and plastic pollution. We will also take opportunities such as TICAD9, PALM10¹⁴², and the Central Asia + Japan Dialogue and Summit Meeting to strengthen our engagement to the Global South, including Africa, Pacific Island countries, and Central Asia.

The government will promote sanctions against Russia as well as strongly supporting¹⁴³ Ukraine and neighboring countries.

¹³⁹ 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.

¹⁴⁰ 2025 World Athletics Championships and Deaflympics, 2026 Asian Games and Asian Para Games, World Masters Games 2027 Kansai, etc.

¹⁴¹ At the Japan-U.S. Summit Meeting held on April 10 of this year, the two leaders reaffirmed that the Japan – US alliance would be strengthened, emphasized that their basic positions on Taiwan remain unchanged, reiterated the importance of maintaining peace and stability across the Taiwan Strait as an indispensable element of global security and prosperity, and encouraged the peaceful resolution of cross-Strait issues.

¹⁴² The 10th Pacific Islands Leaders Meeting.

¹⁴³ To support the reconstruction of Ukraine, in addition to the five actions announced at the Japan-Ukraine Economic Reconstruction Promotion Conference, such as the conclusion of a new tax treaty and a two-step

On the occasion of the 70th year anniversary of international cooperation, in constructing new mechanisms for international cooperation, Japan will expand ODA in various ways, including mobilizing private sector financing by using ODA as a catalyst, utilization of JICA Overseas Cooperation Volunteers and proven international organizations, cooperation with NGOs, and support for humanitarian crises such as the situation in Gaza, and make necessary efforts to enhance the foundation of implementation¹⁴⁴. Japan will strategically promote and strengthen OSA¹⁴⁵.

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". We will work on issues such as strengthening the functions of the United 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, WPS¹⁴⁶, and human security. We will also strive for expanding the circle of people with a great affinity toward or knowledge of Japan, including people of Japanese descent. With the 80th year anniversary of the end of World War II approaching in 2025, based on the path of a peaceful country, Japan will work to firmly maintain a free and open international order based on freedom, democracy, human rights, and the rule of law, as well as to disseminate information about Japan's territory, sovereignty, and others, to both inside and outside of Japan.

The government aims to normalize its relations with North Korea, in accordance with the Japan-DPRK Pyongyang Declaration, through comprehensively resolving outstanding issues of concern such as the abductions¹⁴⁷, nuclear, and missile issues, as well as settlement of the unfortunate past.

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

loan by JBIC, Japan will implement anti-corruption measures in cooperation with the G7 and international organizations.

¹⁴⁴ Includes cooperation in human resource development by JICA, and cooperation from the gender point of view.

¹⁴⁵ Official Security Assistance.

¹⁴⁶ The idea is that we can move closer to a more sustainable peace by having women take a leadership position and participate in conflict prevention, reconstruction and peacebuilding, while working to protect women.

¹⁴⁷ In his policy speech to the 213th session of the Diet on January 30 of this year, Prime Minister Kishida stated, "With the aging of the families of the abductees, the abductions issue, which is a top priority for my administration, is a humanitarian and time sensitive issue with no time to spare."

(Security)

Amid the most severe and complex security environment since the end of World War II, Japan will promote efforts to fundamentally reinforce defense capabilities, based on the National Security Strategy and other documents¹⁴⁸. In doing so, the government will emphasize the following seven fields: Stand-off Defense Capabilities, Integrated Air and Missile Defense capabilities, Unmanned Defense Capabilities, Cross-domain Operational Capabilities, Command and Control and Intelligence-related Functions, Mobile Deployment Capabilities /Civil Protection, and Sustainability and Resiliency. In order to maximize effective use of the existing equipment, the government will promote improving the number of operationally available equipment, securing ammunition and fuel, and improving resiliency of defense facilities, etc. In acquiring of equipment, etc., the government will thoroughly implement efforts to further improve efficiency and rationalize procurement including through utilizing the long-term contract act¹⁴⁹, whose effect became permanent. The government will reinforce the human resource base by securing talented personnel, improving living and working environment, and improving treatment, while also continuously enhancing medical functions, such as autonomously securing blood. 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 bases¹⁵⁰. The government will also work on research and development and make efforts to use advanced commercial/basic technologies. We will promote the joint development of the next-generation fighter aircraft through the Global Combat Air Programme (GCAP) International Government Organization.

Under the JSDF Joint Operations Command, which is to be newly established, Japan will strengthen its ability to operate seamlessly across all phases from normal time to contingencies with the aim of strengthening the effectiveness of its joint operational capability. We will reinforce join Japan-U.S. Alliance deterrence and response capabilities of the Japan-U.S. Alliance while also reinforcing collaboration with like-minded countries and others. The government will promote the realignment of U.S. Forces in Japan and the base-related measures.

With regard to financial resources for the fundamental reinforcement of defense capabilities, the government will secure these financial resources in line with the Defense Buildup Program, etc. including through agile and flexible approaches. In

¹⁴⁸ The National Security Strategy, the National Defense Strategy, and the Defense Buildup Program (National Security Council Decision and Cabinet Decision on December 16, 2022).

¹⁴⁹ Act on Special Measures Concerning the Term of Expenditure Due to National Treasury Obligation Burden Acts Pertaining to Specified Defense Procurement (Act No. 16 of 2015).

¹⁵⁰ Act on Enhancing Defense Production and Technology bases (Act No. 54 of 2023).

doing so, during the budget formulation process for each fiscal year, the government will continue to work on the continuation of expenditure reform, the utilization of settlement surplus accounts and the securing of non-tax revenues. The tax measures shall be deliberated in accordance with the basic directions specified in the Outline of the Tax Reform for Fiscal 2023¹⁵¹ and the Outline of the Tax Reform for Fiscal 2024¹⁵², and necessary legislative measures shall be taken at an appropriate time based on the results of the deliberations.

As a complementary and integral part of fundamental reinforcement of defense capabilities, Japan will advance efforts in the areas that complement and are inseparable from the fundamental reinforcement of the defense capabilities, namely research and development, public infrastructure development, cyber security, and international cooperation to enhance deterrence capabilities of Japan and like-minded countries, while also developing a proper structure of relevant ministries and agencies.

In order to realize the prompt and safe evacuation of residents, including those in the Southwest region, we will examine the wide-area evacuation and acceptance. With regard to evacuation facilities (shelters) in the event of an armed attack, the government will further secure underground facilities and promote the relevant initiatives. By promoting these initiatives to protect residents, the national and local governments will work together to strengthen its civil protection mechanism. Japan will promote comprehensive maritime security and other initiatives including through Maritime Domain Awareness(MDA) based on the Basic Plan on Ocean Policy.¹⁵³ The Japan Coast Guard will also upgrade and increase the number of patrol vessels and the like, secure 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., as well as secure and develop human resources based on the Policy on the Strengthening Maritime Security Capabilities.¹⁵⁴ Based on the Basic Plan on Space Policy¹⁵⁵, the government will strengthen comprehensive efforts related to space security, such as proceeding with necessary measures to build a satellite constellation. Japan will strengthen information warfare responses, including counter-disinformation measures that involve the strengthening of cooperation with agencies outside the government. We will also reinforce systems and capabilities concerning information gathering/analysis that includes human intelligence as well as concerning Strategic Communications.

¹⁵¹ Cabinet Decision on December 23, 2022

¹⁵² Cabinet Decision on December 22, 2023.

¹⁵³ Decided by the Cabinet on April 28, 2023.

¹⁵⁴ Decision at the Ministerial Conference on the Strengthening of Maritime Security Capabilities on December 16, 2022.

¹⁵⁵ Decided by the Cabinet on June 13, 2023.

(Cybersecurity)

In order to improve its ability to respond in the field of cyber security to that which is on a par with those of leading Western countries, the government will strengthen cyber security capabilities; submit a bill at an early point in time to implement active cyber defense; and develop necessary systems¹⁵⁶ for their proper implementation. At the same time, we will utilize home-grown security technology and strengthen the functions of GSOC¹⁵⁷.

Based on its Cybersecurity Strategy¹⁵⁸, the government will strengthen the security of the Government Shared Platform System, conduct exercises on critical infrastructure through public-private partnerships, review response policies through practical penetration testing, strengthen anti-phishing measures, as well as raising awareness, training and developing human resources related to cybersecurity. Starting in FY 2024, the government will work to diffuse the system for evaluating the soundness of security requirements for IoT devices, and in coordination with government procurement, will begin exploring a new system for a third-party organization to conduct evaluations.

(2) Economic Security

Japan will maintain and strengthen a free and open international order based on the rule of law, and ensure economic security in cooperation and collaboration with its ally and like-minded countries, etc.

We will strengthen the whole-of-government system for promoting economic security with the National Security Secretariat serving as a control tower. In order to strengthen intelligence capabilities that will contribute to economic security, necessary systems for collecting and analyzing information, including human intelligence, will be developed. We will collaborate with local governments on economic security.

The government will steadily implement the Economic Security Promotion Act¹⁵⁹ and strengthen efforts while also inspecting risks inherent in industry. Based on constant inspections and assessments of issues in the supply of critical products, the government will promote measures to ensure stable supply, including building transparent, resilient and sustainable supply chains through international

¹⁵⁶ This includes the improvement of information collection and analysis functions of the Information-technology Promotion Agency, Japan (IPA) and the National Institute of Information and Communications Technology (NICT).

¹⁵⁷ Abbreviation for Government Security Operation Coordination team. A framework for cross-government cybersecurity operations.

¹⁵⁸ Cabinet Decision on September 28, 2021.

¹⁵⁹ Law on Promotion of Security by Taking Economic Measures in an Integrated Manner (Law No.43 of 2022)

cooperation. In addition to developing advanced key technologies, the government will advance measures against technology leakage with the aim of promoting international cooperation and proceed with preparatory work for the establishment of a think tank related to safety and security. We will continuously review the basic infrastructure system, including the addition of the medical field. In critical infrastructure areas, we will build up infrastructure resilience to address vulnerabilities, including improving autonomy in international communications.

The government will proceed with the preparation for the implementation of the Act on the Protection and Utilization of Critical Economic Security Information¹⁶⁰.

The government will take measures preventing technology leakage by working on strengthening the relevant system and ensuring the effectiveness of investment screening under the Foreign Exchange and Foreign Trade Act¹⁶¹; to control the export and technologies, including the review of the system; to ensure research security and integrity; and to strengthen the screening for the acceptance of international students and researchers. Under the policy of not accepting economic coercion, we will proceed with necessary measures. In light of Russia's aggression against Ukraine, Japan will work to effectively implement relevant sanctions. We will consider necessary measures for data and information protection.

With regard to the management and use of land, the government will proceed with measures under the Act on the Review and Regulation of the Use of Real Estate Surrounding Important Facilities and on Remote Territorial Islands¹⁶², and further reviews, including responses to the management and use of land nationwide by foreigners, while assessing the status of law enforcement and internal and external security situations, etc.

8. Promoting disaster prevention and mitigation, and national resilience

(1) Disaster prevention and mitigation, and national resilience

As the disaster risk due to climate change is increasing and the urgency of large-scale earthquakes is heightening, in order to overcome the intensifying and frequent natural disasters 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 secure necessary and sufficient budgets, appropriately combine self-help, mutual assistance, and public assistance, and strongly promote efforts that integrate hard and soft measures, in accordance with the Fundamental Plan for

¹⁶⁰ Act on the Protection and Use of Critical Economic Security Information (Act No. 27 of 2024).

¹⁶¹ Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949).

¹⁶² 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)

National Resilience¹⁶³.

The government will continue to steadily promote the engagement based on the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience¹⁶⁴, and will proceed with national development that will not succumb to disasters, while taking into account the effects of the recent surge in material prices. In addition, in order to ensure that our engagement in building national resilience can be promoted continuously and stably under a clear medium- to long-term outlook, as well as based on the experience of the Noto Peninsula Earthquake in 2024, we will accelerate discussions to formulate the Mid-term Plan for the Implementation of National Resilience¹⁶⁵ to the maximum extent possible, including the evaluation of the implementation status of the relevant measures, and will start to formulate the Mid-term Plan for the Implementation of National Resilience in early FY 2024.

In order to develop and manage disaster prevention infrastructure that protects people's lives and property, the government will accelerate and deepen watershed flood control in light of the effects of future climate change¹⁶⁶, accelerate measures for aging infrastructure and earthquake resistance, expand and strengthen national disaster support systems and functions such as TEC-FORCE¹⁶⁷, to support local governments' disaster response and further strengthen embankment safety measures, forest improvement and mountain settlement measures, and disaster prevention functions at places such as schools and evacuation centers¹⁶⁸.

In order to strengthen lifelines such as transportation, communication, and energy, which form the basis of economic development, the government will promote disaster-resistant transportation networks such as eliminating missing links, establishing disaster prevention bases at ports, the elimination of electricity poles, and measures against heavy snow, etc.

In order to advance measures for national resilience through the use of new technologies such as digital technology, we will promote the sophistication of disaster risk reduction information such as more accurate predictions of stationary linear mesoscale convective systems and floods using the next geostationary meteorological satellites, the development and introduction of firefighting and DX for disaster management as well as disaster prevention science and technology.

In order to strengthen public-private partnerships, including ensuring business

¹⁶³ Decided by the Cabinet on July 28, 2023.

¹⁶⁴ Decided by the Cabinet on December 11, 2020. Measures taken from FY 2021 to 2025.

¹⁶⁵ Based on the Basic Act for National Resilience Contributing to Preventing and Mitigating Disasters for Developing Resilience in the Lives of the Citizenry (Act No. 95 of 2013).

¹⁶⁶ Includes measures against coastal erosion.

¹⁶⁷ Regional Development Bureaus, regional transport bureaus, Geospatial Information Authority of Japan, and research institutions that provide support in times of disaster, etc.

¹⁶⁸ Includes collaborative protection where public and private parties work together to address climate change adaptation at ports.

continuity in the event of a disaster, the government will work to strengthen supply chains, take measures to mitigate disasters that are integrated with land use, promote medical care utilizing ships¹⁶⁹, utilize medical containers, ensure continuity of medical care by promoting dental visits and use of disaster medical systems in disaster-stricken areas, and promote enrollment in earthquake insurance for households.

In order to further strengthen disaster prevention capabilities at the regional level, efforts will be made to strengthen disaster case management, secure and train personnel to support disaster victims, including disaster intermediate support organizations, provide information on floods, landslides and storm surge, take measures for evacuees requiring special consideration, take disaster prevention measures to protect valuable cultural properties in local communities, implement Timeline Disaster Preparedness by promoting the use of Weather Disaster Risk Reduction Advisor and regional disaster prevention managers, and enhance fire and disaster prevention capabilities, including fire brigades.

Based on the Act on Special Measures for Active Volcanoes¹⁷⁰, the government will promote measures against volcanic disasters, the research at the Headquarters for Volcano Research Promotion, and the training and continuation guaranteed of specialized human resources.

(2) Recovery and restoration after the Great East Japan Earthquake, Noto Peninsula Earthquake and other natural disasters

(Recovery and reconstruction from the Great East Japan Earthquake)

Without the reconstruction of Tohoku, there can be no revitalization of Japan. We will do our utmost to reconstruct and revive the affected areas in accordance with the Basic Policy¹⁷¹, etc. The government aims to fulfill the role of the recovery project for the second-term recovery and revitalization period¹⁷² in the earthquake and tsunami affected areas. To this end, we will properly address the relevant issues such as mental care, by, for example, utilizing government-wide policies and measures. The national government will continue to play a leading role in the reconstruction and revitalization of areas hit by the nuclear power disaster, which require medium-to long-term measures. We will safely and steadily proceed with our efforts concerning the decommissioning of Fukushima Daiichi Nuclear Power Plant. Regarding the discharge of ALPS treated water, we will carry out all possible

¹⁶⁹ Act on Promotion of Development of Medical Care Provision System Utilizing Ships in Disaster, etc. (Act No. 79 of 2021). Enforced on June 1, 2024.

¹⁷⁰ Act on Special Measures for Active Volcanoes (Act No. 61 of 1973).

¹⁷¹ Basic Guidelines for Reconstruction from the Great East Japan Earthquake After the Second Term Reconstruction and Revitalization Period (Cabinet Decision on March 9, 2021, Changed on March 19, 2024).

¹⁷² FY 2021 to 2025.

measures to ensure safety, prevent adverse impacts on reputation, and support continuation of livelihoods. Japan will strongly request the immediate repeal of import restrictions on Japanese food products by certain countries and regions. Toward the final disposal of removed soil and waste outside Fukushima prefecture, the government will proceed with approach to develop a system for the creation of sites for the managed recycling of removed soil. In areas where evacuation orders have been lifted, the government will promote improvement of living conditions such as medical care and education, and promote relocation and settlement. In addition to promoting environmental improvement in the Specified Reconstruction and Revitalization Bases Area, 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 firstly proceed with the effort to lift the evacuation order for the Specified Living Areas for Returnees. We will develop the Fukushima Innovation Coast Framework and promote initiatives such as the Fukushima Institute for Research, Education and Innovation and the Fukushima Plan for a New Energy Society. We will promote reconstruction through the livelihood recovery, the creation of new industries, the regeneration of forests and forestry, local community revitalization through culture and arts, and the expansion of exchange population. We will consider how the reconstruction after the current period should be.

(Recovery and reconstruction, etc., from the Noto Peninsula Earthquake)

The Noto Peninsula Earthquake in 2024 caused extensive damage mainly in Ishikawa Prefecture and the rest of the Hokuriku region. The government has been providing life-saving relief, road clearing, push-type material support, secondary evacuation support, etc.

We will continue to make full efforts to rebuild the lives and livelihoods of affected people as soon as possible, prevent disaster-related deaths, restore infrastructure and other facilities, promote the dismantling financed by public funds and the authority extinguishment registration, support the formulation of reconstruction town development plans based on regional characteristics, and creatively reconstruct agriculture, forestry, fisheries, and culture and arts. The national government will also support the efforts financed by the reconstruction fund of Ishikawa Prefecture and the like¹⁷³. Through support for the development of Okunoto Digital lifeline and the use of new technologies, the project aims to make reconstruction of Okunoto a model for regional revitalization in areas with declining population. We will work to revive tourism by taking careful measures to stimulate demand for travel in the Noto region in accordance with the reconstruction situation.

¹⁷³ Including the liquefaction countermeasures in Niigata Prefecture and Toyama Prefecture.

In addition, the government will further enhance and strengthen disaster response efforts by making use of the knowledge gained in the recent disaster response. We will carry out the initial response by the police, firefighters, and the Self-Defense Forces, etc., provide support from the national government and related organizations to the affected municipalities and deliver the initial response by strengthening cooperation with medical and welfare personnel such as the Disaster Medical Assistance Team (DMAT) and other teams¹⁷⁴, private businesses, specialized volunteer groups, etc. We will also strengthen other emergency disaster countermeasures such as support for the operation of evacuation centers, procurement and transportation of goods, wide-area and at-home evacuation, etc.¹⁷⁵, digital human resources at the time of a disaster, awareness building and practical training for disaster preparation, and necessary system reviews,¹⁷⁶ etc.¹⁷⁷

In light of the fact that the recent disaster took place in a difficult situation with geographical restrictions on the peninsula, and based on the voluntary inspection report on disaster emergency response related to the Noto Peninsula Earthquake of 2024, the government will take the following steps making use of new technologies and measures that contribute to the initial response and emergency countermeasures: ascertaining the disaster situation by utilizing drones, etc.; strengthening approaches to the disaster area by utilizing special vehicles, etc.; facilitating activities in the disaster area by utilizing unmanned robots, etc.; enhancing the activity environment for supporters; securing water, electricity, and communications by utilizing water-circulating showers, etc.; enhancing health, medical care, and welfare; utilizing mobile vehicles and containers for disaster support; enhancing regional crime prevention measures; and sharing and unifying information by utilizing information and communication systems. We will also promote the utilization of these technologies and measures from normal times so that they can be effectively utilized during disasters.

Moreover, the government will work to make water supply, sewerage and other infrastructure earthquake-resistant, secure alternative water sources such as groundwater¹⁷⁸, take measures against liquefaction, strengthen networks such as roads, railways, ports and airports in the peninsula, strengthen the base functions of roadside stations, and strengthen communications and broadcasting networks. We will do our utmost to help afflicted areas recover and rebuild from disasters.

¹⁷⁴ Disaster Psychiatric Assistance Team, Japan Medical Association Team, Disaster Support Nurses, Japan Dental Alliance Team, Japan Disaster Rehabilitation Assistance Team, Japan Dietetic Association-Disaster Assistance Team, Disaster Infection Control Team, Disaster Welfare Assistance Team, etc.

¹⁷⁵ Including the dispatch of educational personnel for school support at the time of disaster.

¹⁷⁶ Including consideration of the positioning of welfare in disaster-related systems.

¹⁷⁷ Stocking and provision of meals at evacuation centers, installation of corrugated cardboard bed partitions, etc., improvement of toilet environments by utilizing self-propelled toilets and toilet trailers, etc., and the operation of evacuation centers based on women's perspectives, etc.

¹⁷⁸ Including examination of distributed systems.

Chapter 3 Realizing a sustainable Economy and Society over the Medium and Long Term : the Economic and Fiscal Plan for New Stage

1. Economic and fiscal policies toward a new stage

(Progress of integrated economic and fiscal reforms to date)

Under the New Plan to Advance Economic and Fiscal Revitalization set forth in the Basic Policy 2018, the government has set fiscal consolidation target and reform policies in key areas and has promoted efforts toward the integrated revitalization of the economy and public finances.

In the initial budget for each fiscal year, the government continued to formulate a budget in line with benchmarks for expenditures and worked to increase the expenditure efficiency while strengthening defense capabilities with financial resources, expanding child and child-rearing policies, and taking into account economic and price trends. In parallel, the government made flexible policy responses to COVID-19 and the high cost of living, and made every effort to support the economy so as to revitalize it.

As a result, primary balance (PB) of the central and local governments has been on an improving trend after having deteriorated significantly in FY 2020 owing to the response to COVID-19. Although there are fluctuations due to the implementation of the emergency economic measures, primary balance surplus in FY 2025 is in sight on the premise that expenditure reform efforts will continue under the Economic Growth Achieved Case indicated in Economic and Fiscal Projections for Medium to Long Term Analysis¹⁷⁹.

The public debt-to-GDP ratio rose sharply in FY 2020, reflecting a significant deterioration in PB. After that, it is estimated to decline from the previous year in FY 2023 because of the improvement in PB and the rise in the nominal growth rate¹⁸⁰.

(Direction of economic and fiscal policies toward a new stage)

Under these efforts, Japanese economy has recovered from the downturn caused by the COVID-19 pandemic, and as mentioned in Section 1 of Chapter 1, it now faces a historic opportunity to completely overcome deflation and realize a growth-oriented economy, including wage increases at the highest level in 33 years and record-high levels of corporate capital investment.

From now on, it is necessary to link the recent wage increases to structural wage

¹⁷⁹ Announced by the Cabinet Office on January 22, 2024.

¹⁸⁰ The ratio of outstanding public debts to GDP rose significantly from 191.2% at the end of FY 2019 to 208.5% at the end of FY 2020. After that, it was 211.1% at the end of FY 2021 and 211.8% at the end of FY 2022; the ratio was estimated to be 208.2% at the end of FY 2023.

increases, create a virtuous cycle of growth and distribution by encouraging proactive investment through public-private partnerships, and allow the Japanese economy to completely overcome deflation and move to a new stage that is not an extension of what it has been in the past, thereby moving further forward with efforts to achieve economic revival and fiscal consolidation at the same time while increasing the scale of the economy.

For this reason, it is important to change the quality of economic and fiscal policies from crisis response to resource allocation focusing on raising the potential growth rate, while responding to price hikes such as higher cost of living, wages, and interest rates. At the same time, under the changing financial environment, there are concerns about an increase in interest payments due to the transition to the society and economy with changing in interest rates as well as the need to prepare for global economic crises, large-scale disasters, and infectious diseases, all of which require large-scale policy responses. In order to ensure market confidence in fiscal conditions, we need to secure a sustainable fiscal structure that achieves a stable reduction of public debt-to-GDP ratio in normal times.

2. Medium-term economic and fiscal framework

(New framework and basic approach)

The target period of this Plan shall be six years until FY 2030, when depopulation will go into full swing. The government will continue to promote integrated economic and fiscal reforms.

The government intends to raise the potential growth rate through improving productivity, expanding labor force participation, and increasing the birth rate, based on the understanding that the economy is the foundation of public finance. We will aggressively make domestic investment with the collective power of the public and private sectors to encourage the corporate sector to shift to excess investment in order to support growth on both the demand and supply sides. We also aim to realize a virtuous cycle of growth and distribution in which households' disposable income will continuously increase and potential spending needs will materialize, as well as pursuing the realization of a society with a high level of well-being full of hope, in the process of building a society in which everyone with motivation can play an active role freely and flexibly, and achieving the price stability target of 2 percent in a sustainable and stable manner. We will advance integrated reforms in the economy, public finance, and social security, ensuring their coordinated advancement to secure the sustainability of the economy and society.

In order to achieve both economic revival and fiscal consolidation, we will focus on raising the potential growth rate and resolving social issues in line with the

following basic approaches and will carry out economic and fiscal management with the focus on a medium- to long-term perspective.

- While adequately reflecting increases in wages and procurement prices, the government will promote with the social implementation of new technologies and productivity improvement through DX; making the public sector more efficient through the expansion or collective delivery of public services or the commercialization of public service; carrying out incentive reforms and visualization; and promoting behavior change through horizontal deployment of advanced cases. Based on that, the expenditure structure shall be returned to normal, and the virtuous cycle of growth and distribution shall be expanded.
- Under public-private partnerships, the government will carry out policy management to promote medium- to long-term planned investment that will enhance the predictability of the private sector, stimulating aggressive and bold private sector investment. In doing so, we will also consider financial resources in an integrated manner and balance expenditures and revenues over multiple fiscal years. At the same time, efforts will be made to ensure that current expenditures are steadily covered by annual tax revenues, etc.
- The government will work to correct the negative effects of the single-fiscal year budget principle. We will use dynamic thinking with an eye on the future effects of the tax system.
- Regarding the efforts above, the government will further strengthen EBPM and thoroughly implement wise spending in line with the policies described in Section 4 of this Chapter.

(Fiscal consolidation targets and basic approach for budget formulation)

The government will resolutely pursue fiscal consolidation and work on achieving the current target. In a world with the rise of interest rates, we will also make the fundamentals solid so as to ensure the sustainability of the economy, public finance, and social security in the future, paying attention to international financial markets. To that end, we aim to achieve a primary balance surplus of the central and local governments in FY 2025 and move further forward with efforts to achieve both economic revival and fiscal consolidation in order to reduce the public debt-to-GDP ratio steadily without reversing the progress or achievement of the commitment throughout the plan period.

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 above-mentioned target, including 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 expand the

economy and will also work to put public finance 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. The government will therefore undertake the necessary verification depending on the situation.

With regard to budget formulation, the government will continue current expenditure reform efforts¹⁸¹ during the three years from FY 2025 to FY 2027 based on the basic approach described above. As for the specifics, we will determine the details in the budget formulation process in each fiscal year while taking into account economic and price trends and other developments, as the Japanese economy is entering a new stage. However, this should not lead to narrowing the range of available options for important policies. The government will work to raise the potential growth rate while working on flexible macroeconomic management.

(Reforming the tax system)

Under the basic approach for realizing a complete departure from deflation and the transition into a new stage, we will strive to achieve both economic growth and fiscal consolidation and 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 2023¹⁸², etc., we will aim to improve redistribution functions based on the principle of ability to pay and prevent disparities from becoming fixed. At the same 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, while steadily strengthening our efforts for EBPM. 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.

(Inspection and evaluation of integrated economic and fiscal reforms)

In order to promote the reforms steadily, the government will implement

¹⁸¹ Expenditure reform has been ongoing since FY 2013. The government will continue constant efforts for the expenditure reform during the three years from FY 2022 to FY 2024 based on the Basic Policy on Economic and Fiscal Management and Reform 2021 (Cabinet Decision on June 18, 2021). Defense capabilities as well as child and child-rearing policies, which will be systematically expanded over multiple years, shall be respectively financed by funds to be generated from the expenditure reform until FY 2027 or FY 2028. Note that efforts for the expenditure reform related to the social security system shall be promoted based on the Reform Plan for Building Social Security System for All Generations (Reform Process) (Cabinet Decision on December 22, 2023; hereinafter referred to as the "Reform Process").

¹⁸² Basic Policy on Economic and Fiscal Management and Reform 2023 (Decided by the Cabinet on June 16, 2023).

measures to strengthen EBPM and the reform process of integrated economic and fiscal reforms by the end of this year, and monitor, examine, and evaluate the progress of the reform every year, based on this Basic Policy, the Reform Process, and other relevant efforts in each policy section. In addition, the Council on Economic and Fiscal Policy will conduct an examination of these efforts as needed at the time of the publication of the medium- to long-term projections every six months and a comprehensive examination of these efforts in about three years time¹⁸³, including the progress in the KPIs concerning the realization of the virtuous cycle of growth and distribution, thereby linking them to necessary policy responses.

3. Basic courses of action and priority issues for major policy sections

(1) Building a social security system for all generations

In order to overcome the declining birthrate, aging population, and declining population, and to aim for a sustainable economic society in which people can feel affluence and happiness, it is necessary to dispel people's anxiety about the future and promote reforms that will serve as the foundation for the virtuous cycle of growth and distribution. We also need to establish a resilient and sustainable social security system that can withstand medium- to long-term structural changes in society based on the long-term estimates. To this end, taking into consideration the medium- to long-term timeframe, the government will mobilize all relevant policies, including productivity improvement through thorough utilization of advanced technologies and data such as medical and long-term care DX, ICT, and robots, as well as promotion of task shifting/sharing and all-generational reskilling and upskilling; realization of a lifelong active society in which everyone, including women and the elderly, can play an active role according to their motivation; and response to the declining birthrate through effective implementation of Future Strategy for Children¹⁸⁴.

Moreover, in order 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. To this end, in order to build a sustainable social security system, and with the aim of building a social security system for all generations in which all generations support each other according to their abilities, we will steadily promote the integrated economic and fiscal reforms in accordance with the "time horizon" defined by the Reform

¹⁸³ Necessary actions relevant to the long-term estimates will also be taken.

¹⁸⁴ Cabinet Decision on December 22, 2023.

Process formulated based on the past discussions on these reforms, as described below. In doing so, the government will provide the public with easy-to-understand information about the future vision of social security for all generations.

(Improving medical and long-term care delivery systems)

In order to cope with the further increase in the elderly population and Japan's declining population, it is necessary to ensure a system for providing high-quality and efficient medical and long-term care services while making effective use of limited resources. It is also necessary to coordinate various policies according to local circumstances, such as strong promotion of medical and long-term care DX by the entire government, utilization of robot and digital technologies, ICT, and online medical examinations, task shifting/sharing, and functional differentiation, and coordination of medical care.

The government will develop a system in which the functions of primary care doctors are demonstrated from the viewpoint of the public, utilize regional medical cooperation promotion corporations and social welfare cooperation promotion corporations, secure emergency medical care systems, promote sustainable doctor helicopter operations, secure perinatal care in which a pregnant woman can safely give birth regardless of where she lives, and strengthen prefectural governance¹⁸⁵. With regard to "Community Health Care Visions", the national government will back up the relevant outreach efforts toward 2025. Looking ahead to around 2040, in order to respond to the increase in the population aged 85 or older with complex medical and long-term care needs and the decrease in the working generation, etc., we will expand the coverage of the Community Health Care Visions to include the entire regional medical care provision system, including the functions of primary care doctors, home medical care, medical and long-term care coordination, and securing human resources, etc. In addition to the differentiation and coordination of sickbed functions, we will clarify the functions of medical institutions, examine the responsibilities and authorities of prefectures, the roles of municipalities, as well as the ideal form of financial support, including legislative measures, and reach a conclusion by the end of 2024.

In order to correct the maldistribution of physicians, departments, and hospitals/clinics among regions, the government will formulate a comprehensive package of measures by the end of 2024, including reviewing the physician recruitment plan; implementing a combination of regulatory measures, such as utilizing regional quotas in the physician training process; dispatching physicians

¹⁸⁵ The Reform Process, for example, explains that 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.

from university hospitals, fostering physicians with comprehensive medical care capabilities; taking actions to secure the necessary human resources such as the implementation of recurrent education; correcting the maldistribution through economic incentives; and taking actions in combination with regulatory approaches, such as drastically expanding the requirements for managers requiring experience of working in areas with a small number of physicians. Meanwhile, as for the upper limit of the number of students to be admitted to medical schools in FY 2026, the quota will be set within a range that does not exceed the comparable number in FY 2024. Regarding the number of students to be admitted to medical schools in FY 2027 and beyond, the government will promptly examine the appropriateness, taking into account the supply and demand of physicians in the future.

Given the expected shortage of long-term care workers due to the declining population, we will strengthen cooperation with medical institutions; promote the use of technology, collaboration and upscaling of long-term care service providers; and promote the visualization of management conditions of long-term care service providers and medical institutions, including financial information such as assets and salaries by job type etc. After these steps are taken, we will work to improve wages, reduce the workload, and encourage the relevant organizations/providers to improve the working environment. In addition, in order to secure necessary long-term care services, the government will proceed with measures to secure human resources, including foreign long-term care personnel, and will examine the ideal vision to secure a medium- to long-term care service provision system, taking into account the regional axis and the time axis.

In addition, we will promote measures against cancer, against cardiovascular diseases, against hearing loss¹⁸⁶, against intractable diseases, for transplant medicine¹⁸⁷, against chronic kidney disease, against allergies¹⁸⁸, against addiction¹⁸⁹, for nutrition, for sleep, against COPD, etc., as well as measures against infectious diseases such as pneumonia, including vaccinations based on the Immunization Act¹⁹⁰. The government will also promote comprehensive measures to support women's health against menopause and osteoporosis, etc. In addition, we will use scientific evidence on general health and oral health and provide appropriate information to the public; promote specific initiatives for lifelong dental examinations (universal oral health checks); enhance oral health management by dental professionals helping to combat oral frailty and prevent

¹⁸⁶ Includes creating opportunities for the elderly to realize their own hearing loss at an early stage and promoting the experience of hearing aids.

¹⁸⁷ Including the construction of the medical care provision system for transplantation based on the increase in the number of organ donors.

¹⁸⁸ Including the promotion of uniformity of medical care for allergic diseases (Including atopic dermatitis).

¹⁸⁹ Including the promotion of research and studies, etc.

¹⁹⁰ Act No. 68 of 1948.

dental illnesses from becoming severe; promote collaboration among various occupations such as between dental institutions, and between medical, dental and pharmacological cooperation; implement measures based on the necessity of securing dental hygienists and dental technicians; promote the use of ICT in the field of dentistry; and promote an appropriate allocation of dentists in each field, etc., thereby working to develop and improve systems for providing dental health care. We will also promote the introduction to the relevant insurance systems for new technologies and new materials that have been approved as effective and safe. In addition, the government will promote measures to secure home-visit long-term care and nurses through the use of ICT and specific action training, and will promote home medical care and long-term care through multifunctional home services. We will also promote rehabilitation that contributes to self-reliance and social reintegration.

(Reforming medical and long-term care systems)

The government will proceed with comprehensive consideration of various medical insurance systems, including the submission of related legislative bills, while trying to balance benefits and burdens and restrain the rising burden on the working generation.¹⁹¹ In promoting such reforms, the government will strengthen efforts of the examining and paying institutions to rationalize medical expenses and will prepare an effective mechanism for rationalizing multiple drug administration and multiple examinations, etc. With regard to the national health insurance system, we will thoroughly unify the level of insurance premiums within prefectures, promote efforts to strengthen insurer functions, etc., and consider the ideal form of financial support such as adjustment subsidies and the insurer effort support system in order to contribute to rationalizing medical expenses and strengthening prefectural governance, etc., in light of demographic trends and changes in insurance policyholders due to the expansion of coverage. We will also promote the preparation of health expenditure statistics that are internationally comparable¹⁹².

With regard to the long-term care insurance system, the government will review the criteria for determining the bracket of "income above a certain level" in which the user burden is set at 20%, and will discuss the ideal form of benefits related to care management as well as the ideal form of benefits related to livelihood support services, etc., for persons with mild symptoms so as to reach a conclusion before starting the tenth Insured Long-Term Care Service Plans. In parallel, with regard to

¹⁹¹ In addition to being based on the Reform Process, the Basic Policy 2018 stipulates "Periodically visualize the balance between the insurance benefit rate (insurance premiums and public expenses) and the patient burden rate, etc.," "consider comprehensive measures for insurance premiums, public expenses, and patient payments."

¹⁹² Including the study for compiling data into the government statistics based on the System of Health Accounts (SHA) approach of the OECD.

the problem of excessive provision of long-term care services to elderly housing residents (so-called "enclosure") as well as some issues related to the securing of medical and long-term care personnel, such as the problem of the burden of referral fees for inappropriate referrals to medical and long-term care personnel, such as those who repeatedly find employment or leave their jobs, the government will take effective measures to address these problems, including reviewing the remuneration system, strengthening regulations, and further examining the strengthening of the function of public employment placement services. In addition, taking into consideration the worsening situation of working carers, local governments will develop an environment for flexible operation, appropriate selection of services, and improvement of reliability, in order to promote the use of services not covered by the long-term care insurance system.

(Encouraging aggravation prevention and health promotion)

In order to extend healthy life expectancy and realize a lifelong active society, the government will collaborate with private companies in promoting salt reduction, etc., and will advance measures against unwanted passive smoking. In addition, we will deepen collaboration between insurers and employers (collaborative health) based on the Third Term Data Health Plan in order to contribute to an increase in cancer screening rates. We will also promote the creation of health services and health care services by utilizing large-scale demonstration research projects on the prevention of the onset and progression of serious illness, and health promotion, and will strengthen the functions of the Japan Agency for Medical Research and Development (AMED) toward the effective use of the obtained evidence in society. In order to increase the number of healthy elderly people and decrease the rate of certification of long-term care need, the government will promote measures for effectively preventing the onset of long-term care by enhancing community support projects, thereby promoting flexible services provided by various local entities. We will also promote evidence-based scientific long-term care and will establish an appropriate care cycle between medical care and long-term care. In addition, PHR, including life-log data (sleep, step count, etc.) recorded in wearable devices, will be utilized eyeing the possibility to collaborate with medical care and long-term care. The government will also encourage private organizations to implement "visualization of quality" in their health promotion services.

(Promoting health care, including strengthening drug discovery capabilities)

In order to promptly deliver the latest drugs to the people by improving drug

discovery capabilities, based on the interim report of the Initiative Council¹⁹³, the government will pursue the realization of an international-level research and development environment that can rapidly put promising seeds into practical use. To this end, we will work to develop an internationally competitive clinical trial system that can conduct First-in Human (FIH) studies¹⁹⁴ of innovative drug candidates; review the approval requirements for core clinical research core hospitals; develop a manufacturing system for investigational drugs and biopharmaceuticals; and develop and secure human resources. In order to promote the utilization of medical data by researchers at medical institutions and companies, the government will clarify the interpretation of some genome data that are not personally identifiable under the Personal Information Protection Act. In addition, the government will connect various players from academia to industry through the invitation of foreign companies and VCs by public-private councils, and will reorganize the drug discovery ecosystem, including the development of the promotion system, so that new R&D funds can be invested in each stage, including the early stage. We will also drastically strengthen drug discovery capabilities by improving the environment for enhancing R&D capabilities of university hospitals, etc., and strengthening the research infrastructure through R&D support of AMED. In light of the progress in innovation, and in order to enable early use of medical care and pharmaceutical products, the government will proceed with deliberations on the ideal system of combined medical expenses outside insurance, including the utilization of private insurances. The government will consider regulatory measures to deal with drug losses, etc., and to promote the implementation of Software as a Medical Device, and will reach a conclusion by the end of 2024. We will also promote the enhancement of the approval review and consultation systems. At the same time, efforts will be made to promote harmonization of pharmaceutical regulations utilizing overseas bases of the Pharmaceuticals and Medical Device Agency (PMDA). We will study ways to make better use of cost-effectiveness assessment—including appropriate evaluation of the innovativeness of pharmaceuticals—in terms of promoting innovations and giving consideration to the burden of insurance contributions on the working population, while maintaining the operation for prompt NHI listing. In addition, we will encourage research and studies on effective and efficient treatment, including drug suspension and reduction, and will reflect such outcomes in clinical practice guidelines. The government will work to resolve the current concerns about the supply of pharmaceuticals. Envisioning an ideal form of the generic drug industry while maintaining a stable supply of

¹⁹³ Interim Report of Council of the Concept for Early Prevalence of the Novel Drugs to Patients by Improving Drug Discovery Capabilities (May 22, 2024).

¹⁹⁴The first step in testing novel treatments in humans in drug development.

pharmaceuticals as a basis, we will promote structural reforms with a view to industry restructuring and will put into a place the relevant legal framework for a stable supply of pharmaceuticals. In addition to promoting the use of biosimilars, etc., we will encourage self-care and self-medication¹⁹⁵, through the further promotion of switch OTC, etc.¹⁹⁶, and will proceed with deliberations on the review of the self-pay portion for drugs¹⁹⁷. With regard to antimicrobials, which are designated as specified critical materials, the government will consider a framework for the development of an environment in which domestically manufactured APIs (active pharmaceutical ingredients) can be used continuously, as well as measures to ensure a certain volume of domestic distribution, and will reach a conclusion by the end of FY 2024. In addition, the government, industry, and academia will cooperate to secure drugs for the treatment of drug-resistant bacteria through market incentives for the development of new antimicrobial agents and research projects to promote the development of innovative drugs for emerging and re-emerging infectious diseases, and will promote international collaboration on antimicrobial agent research and development support. The government will explore what the drug price survey and revision for FY 2025 should look like in light of the advancement of innovations, the need to secure stable supply, and changes in the environment surrounding the price hikes, while considering the sustainability of the universal health insurance system. In addition, we will strongly promote the development and support of healthcare startups in the medical and long-term care field, including the enhancement of MEDISO¹⁹⁸ functions and the development of CARISO (tentative name)¹⁹⁹; prepare an information infrastructure²⁰⁰ through the Whole Genome Analysis Implementation Plan²⁰¹ toward the establishment of a business implementation organization in FY 2025 as well as put into place a system for the utilization of analysis results such as feedback to patients; develop a drug discovery AI platform²⁰² for drug discovery; promote the healthcare industry, including medical devices, as well as R&D on drug discovery using iPS cells and regenerative medicine, etc., as well as develop industrial promotion bases related to this field; and build a product database for pharmaceuticals and medical devices,

¹⁹⁵ These efforts will contribute to the improvement of prevention and health awareness of the people themselves, as well as task-shifting/sharing efforts, and to reducing the burden on physicians.

¹⁹⁶ Including the discussion on the form of test agents.

¹⁹⁷ The Reform Process describes "flat-rate self-pay portion for drugs," "establishment of self-pay portion according to the type of drugs," and "review of insurance benefits for drugs similar to marketed products."

¹⁹⁸ Medical venture total support office named "MEDical Innovation Support Office."

¹⁹⁹ Similar to MEDISO in the long-term care field, CARE Innovation Support Office (CARISO) serves as a consultation desk.

²⁰⁰ Whole Genome Analysis Implementation Plan 2022 (the Ministry of Health, Labor and Welfare, September 30, 2022).

²⁰¹ Includes results of multiomics (information about comprehensive biomolecules) analysis and clinical information.

²⁰² A platform that develops multiple drug discovery AIs (containing information on ligands (such as antibodies that recognize cancer cells)) and integrates them.

etc., that will contribute to the further improvement of medical safety and the efficiency of administrative work at hospitals, etc. In the healthcare field, we will take policy measures, including regulatory reform, with the aim of promoting HX (Healthcare Transformation) and expanding investment. The government will promote the utilization of the Next Generation Medical Infrastructure Act²⁰³ in order to promote research and development using pseudonymized medical information. In order to promote the use of refill prescriptions, we will closely examine the hindrance factors and work to build momentum, such as by raising the awareness of individual insurers. Understanding of blood donation shall be deepened through promotion about blood donation at the elementary and junior high school level. With regard to blood products and plasma derived products such as globulin and fibrinogen, we will promote the domestic self-sufficient supply, stable securing, and proper use. Regarding radioisotopes for medical use, the government will promote the engagement based on the Action Plan²⁰⁴, such as by putting into place the necessary systems for domestic production²⁰⁵, and will discuss the relevant matters²⁰⁶ toward the revision of the Action Plan.

(Building a pension system that is neutral corresponding to diversification of work styles)

With regard to the public pension, the government will draw up a course of action for the system revision by the end of 2024 based on the results of the Actuarial Valuation this summer. The main purpose is to build a pension system that is neutral corresponding to diversification of work styles, among other actions. In order to realize universal health insurance for all workers, the government will reach a conclusion on the abolition of the requirement for the size of enterprises, the thorough expansion of the application of employees' insurance to part-time workers, and, with regard to single-person establishments that regularly employ five or more workers, the elimination of industries that are not covered. In addition, we will review the system in parallel with the promotion of utilization of the package for not being conscious of so-called "annual income barriers".

(Addressing medium- to long-term issues surrounding social security and a declining birthrate)

While being aware of the differences in the social environment of each region, such as urban and rural areas, the government will carry out the Future-Oriented

²⁰³ Act on Anonymized Medical Data and Pseudonymized Medical Data That Are Meant to Contribute to Research and Development in the Medical Field (Act No. 28 of 2017).

²⁰⁴ Action Plan for Promotion of Production and Utilization of Radioisotopes for Medical Use (Decided by Japan Atomic Energy Commission on May 31, 2022).

²⁰⁵ Including the testing system at the National Cancer Center, Japan.

²⁰⁶ Including efforts to secure necessary resources.

Model Project (tentative name) in the fields of health and medical care as well as child-rearing support in specific community fields, and will verify the relevant policies by implementing advanced technologies and data in an agile manner under policy coordination that transcends vertical divisions. In doing so, we will provide cross-sectoral, comprehensive, and effective support in accordance with local circumstances. For example, we will promote proactive care through health checkups for all generations; verify a future-oriented health care model that takes into account the utilization of health data through the use of wearable devices, as well as verify the respective implementation models for effective measures to address the declining birthrate and for child and child care support through public-private partnerships in accordance with local circumstances; and consider measures from the perspective of effective utilization of existing projects.

In addition, in light of the extension of healthy life expectancy and the high motivation of women and the elderly, etc., to work, the government will provide additional health incentives, build a social security system that is neutral corresponding to work styles, compile an integrated policy package for work-style reforms, and create an environment where people can fulfill their potential throughout their lives regardless of their age or gender.

Based on long-term estimates and the results of inspections and verification of integrated economic and fiscal reforms, the government will conduct research on structural reforms aimed at stabilizing the medium- to long-term social security system and ensuring peace of mind, with a view to the long-term effects of the declining population as well as the declining birthrate and aging population. In doing so, consideration shall be given to the perspectives of fairness and sustainability, the effects of stable demand creation and disparity correction through income redistribution through the social security system, and the impact on healthcare and other industrial policies and regional economies.

(2) Measures to cope with the declining birthrate, and child policy

Based on the Future Strategy for Children, the General Principles for Child-Related Measures²⁰⁷, and the Action Plan for Achieving a Children-Centered Society 2024²⁰⁸, the government will realize a Children-Centered Society in which all children and young people can lead happy lives into the future. As a result, we will reverse the trend of the declining birthrate and enhance socioeconomic sustainability. In implementing these measures, we will steadily implement EBPM, such as promoting PDCA using the numerical targets and other relevant indicators,

²⁰⁷ Cabinet Decision on December 22, 2023.

²⁰⁸ Decided by the Council for the Promotion of Child-Related Measures on May 31, 2024.

which will lead to wise spending.

(Steady Implementation of the Acceleration Plan)

The government will steadily implement the amended Child and Child Care Support Act²⁰⁹ and the other measures included in the Acceleration Plan²¹⁰ from the perspectives of increasing the income of the younger generation, changing the structure and consciousness of society as a whole, and providing seamless support to all families with children and child-rearing. Specifically, the government will strengthen economic support (such as the drastic expansion of child allowance from October this year, reduction of economic burden on matters such as childbirth, reduction of burden of higher education expenses, strengthening of housing support), expand support for all children and families with children (accompanying consultation support, improvement of treatment for nursery teachers and kindergarten teachers, improvement of placement standards for nursery teachers, a system where anyone can attend a nursery school, measures for after-school children, response to various support needs, etc.), and promote co-employment and co-parenting (such as the establishment of coparenting-leave support benefits and benefits for reduced working hours for childcare from fiscal 2025). As a source of financial resources for these efforts, the government will promote thorough expenditure reform based on the Reform Process, introduce the System of Child and Child-rearing Support Contribution from fiscal 2026 without imposing an additional substantial burden, and develop the necessary environment. At the same time, the government and the private sector as the “two wheels of a vehicle” will work together to promote initiatives to foster awareness of supporting children and families with children in society as a whole.

(Implementing the General Principles for Child-Related Measures)

We will support the sound development of all children and youths as society as a whole. For this reason, while promoting the expression of opinions and views and participation of children and young people as independent actors holding rights, we will work toward the development of an environment in which continuous activities of organizations mainly led by young people will be promoted. In addition, we will improve the quality of growth up to early childhood based on “the First 100 Months of Growth Vision”²¹¹ and provide support to local governments and private organizations based on the Guidelines for the Creation of Ibasho (place where one

²⁰⁹ Act for Partial Revision of the Child and Child Care Support Act (Act No. 47 of 2024).

²¹⁰ Plan to accelerate child and child care support based on the Future Strategy for Children (Cabinet Decision on December 22, 2023).

²¹¹ “Basic Vision for the Growth of Children up to Early Childhood” (Cabinet Decision on December 22, 2023).

feels comfortable, safe and accepted) for Children²¹². We will also aim to reduce the burden on childcare sites, and will promptly present the ideal childcare system after the New Plan for Reassurance of Childcare²¹³, including the maintenance of childcare functions through multifunctional facilities in areas with a declining population. The government will formulate a five-year strategy for preconception care²¹⁴, and steadily promote relevant measures, including the establishment of a care system that offers consultation and support for those in need. The government will promote comprehensive measures to prevent sexual violence against children, including Prevention of Sexual Violence against Children Act²¹⁵, the Life Safety Education, rehabilitation of offenders, and treatment for sexual preference disorders. We will also promote child safety measures, postpartum care services, newborn mass screening, newborn hearing tests, and medical examinations for infants. We will enhance efforts to improve the environment for families of hospitalized children, provide consultation support for those who suffer infertility or those who have experienced miscarriage, stillbirth, or recurrent pregnancy loss. The government will examine the effects of marriage support through the Subsidy for the Priority Promotion of Regional Declining Birthrate Measures and consider further measures based on the needs of the younger generation. In addition, the public and private sectors will cooperate to promote life design support. In addition, we will promote the development of Children *Mannaka* communities that form living spaces in neighboring areas for children from the perspective of the concerned parties.

The government will work on the resolution of poverty and inequality and will provide assistance that better meets the needs of children, youths, and families in a difficult situation. To this end, we will pursue the resolution of child poverty and the strengthening of monitoring roles, by supporting children's restaurants, meal deliveries for children, outreach assistance, and their learning, as well as by providing experiential opportunities. The government will promote measures based on the amended Child Welfare Act²¹⁶ such as strengthening the system of child and family centers; enhancing and promoting the use of family support services; thoroughly implementing the principle of giving priority to family rearing, including the enhancement of support by foster parents and family homes; enhancing self-reliance support for those with experience of social care, etc.; supporting young expecting mothers; improving the environment of temporary shelters; and

²¹² Cabinet Decision on December 22, 2023.

²¹³ Announced on December 21, 2020.

²¹⁴ Refers to encouraging both men and women to acquire correct knowledge about sex, pregnancy and childbirth, and to manage their health.

²¹⁵ Act on Measures to Prevent Sexual Violence against Children by School Establishers and Private Education and Daycare Providers (Enacted on June 19, 2024).

²¹⁶ Act for Partial Revision of the Child Welfare Act, etc. (Act No. 66 of 2022).

promoting the acquisition of certification qualifications. Support for young carers will be promoted along with enhancing support for shelters for children/youths as well as young people facing difficulties due to abuse, strengthening the system of child guidance centers such as child welfare officers in terms of quality and quantity, and improving the nurturing functions and environment of foster homes. The government will develop support systems for all children with disabilities, including children with developmental disabilities and children under medical care, and will promote inclusion. We will also promote efforts toward the nationwide spread of children's hospices. The government will promote support for single parents, including employment support, child rearing allowance, and secure payment of child support and the promotion of safe and secure visitation or other contact between the parent and the child through support service for parents before/after divorce. We will also disseminate the revised Civil Code²¹⁷ and work with the judicial branch to improve the environment. The government will strengthen measures against suicide among children and will promote the CDR (Child Death Review) for the prevention of child death. Measures to prevent bullying and to deal with chronic absenteeism will be strengthened. We will strongly promote the revitalization of high-quality public education. Efforts will be made to promote the sound development of youths based on the Basic Plan for the Promotion of Education. We will study the challenges regarding free school meals.

(3) Revitalizing public education and promoting research activities

(Revitalization of high-quality public education)

With a view to building a sustainable society, and taking into account the characteristics of various children and regional circumstances such as the rapid decline in the birthrate, in order to realize proactive, interactive, and authentic learning by integrated enhancement of personalized and self-regulated learning and collaborative learning that maximizes the potential of all children, the government will promote efforts toward the realization of flexible education curricula, and while steadily promoting the GIGA School Program after conducting a thorough verification of its effects based on data, we will work to revitalize high-quality public education suitable for the contemporary Reiwa, including the improvement of the quality of high school education beyond the compulsory education stage and aim to further enhance school education in Japan.

The government will further accelerate work-style reforms, improve treatment, expand and enhance the instruction systems, and provide training support in an integrated manner toward securing and training highly qualified teachers

²¹⁷ Act for Partial Revision of the Civil Code, etc. (Act No. 33 of 2024).

throughout the intensive reform period until fiscal 2026 with a sense of speed. In addition to promoting the optimization of duties undertaken by schools and teachers and the improvement of work efficiency through DX, the PDCA cycle will be strengthened by visualizing the state of work-style reform efforts in schools, and teachers' hours spent after working time will be thoroughly reduced. In view of the special nature of the teaching profession, the purpose of the Securing of Educational Personnel Act²¹⁸, and the need to resolve the teacher shortage, the Central Council for Education recommended that the level of additional adjustments for the teaching profession should be raised to at least 10% among others²¹⁹. While taking into account the recommendation, the government will consider the salary system toward a well-defined one according to job details and responsibilities, such as the creation of new positions and grades, the addition of allowances according to the importance and burden of the duties of the homeroom teacher, and the improvement of various allowances such as administrator ones. While also securing the relevant financial resources, we will submit a bill to revise the Act on Special Measures Concerning Salaries, etc.,²²⁰ to the ordinary Diet session in 2025 to drastically improve the treatment of teachers. We will work to expand the subject-based teacher assignments in elementary schools; increase the number of teaching staff, such as assigning more teachers in charge of guidance and counseling to junior high schools; and enhance allocation of assistant staff such as Vice principals and assistant principals' management support staff. Moreover, 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. The government will work to utilize Admission Quota for applicants wishing to work as local teachers, teacher training to enhance development, enhance training, including strengthening management skills of administrator, implement support for the return of scholarships at the graduate school level, and further study this matter to include such return at the undergraduate level.

Amid the increasing complexity and diversity of issues facing schools, in order to enable teachers to concentrate on their duties with peace of mind and to realize rich learning for children, under the concept of team schools, the government will accelerate integrated initiatives for community schools and community cooperation activities for learning and education, and initiatives for the transition of club activities

²¹⁸Act 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).

²¹⁹ Special Working Committee on Securing High-quality Teachers, the Central Council for Education "Comprehensive measures for improving the school work environment to secure high-quality teachers responsible for "Japanese-style school education in the Reiwa Era" (May 13, 2024).

²²⁰ Act on Special Measures Concerning Salaries, etc., of Educational Personnel in Public Compulsory Education Schools, etc. (Act No. 77 of 1971).

to regional cooperation and regional club activities²²¹. We will also strengthen the use of ICT and cooperation between education and welfare, developing an environment in which people can consult with SC and SSW²²², etc., as well as the police at any time, in addition to promoting the establishment of special schools for chronic absentees and educational support centers inside and outside schools and strengthening their functions so as to thoroughly deal with chronic absenteeism, serious bullying and suicide, developing systems and environments for the enhancement of Special Needs Education²²³ including construction of an inclusive school management model, promoting the support system for young teachers, and promoting the establishment and strengthening of evening classes at junior high schools²²⁴ nationwide, and promoting school safety that incorporates the concept of safety promotion schools.²²⁵ In this way, we will promote the creation of attractive schools where everyone can learn with peace of mind. In addition, the government will promote the qualitative improvement of education and childcare for children in early childhood and the transition period to the elementary school education stage for their development of non-cognitive abilities, experiential activities such as experiencing nature, and reading activities to foster rich sensitivity and creativity, as well as career education and vocational education, etc. We will also strengthen measures to stop the decline in physical strength and vision and will promote food education centered on nutrition teachers and dental health education.

In view of the ongoing decline in the birthrate, the government will reach a certain conclusion by the end of fiscal 2024 on the quality, access, and size of higher education in order to strengthen the functions of such education. In addition, with the aim of reducing the burden of higher education expenses, the government will steadily implement system revisions such as the new system for school attendance support and will enhance the management structure. We will also progressively consider necessary support, including promptly reaching a conclusion about the full-scale introduction of a deferred payment system for tuition fees based on various discussions on the system, while properly reviewing the system from the perspectives of equal opportunities and measures to address the declining birthrate

²²¹ Includes securing 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.

²²² SC: School Counselor, SSW: School Social Worker.

²²³ Includes proper management of special needs education classes.

²²⁴ Includes safety measures for commuting to school such as the use of school buses.

²²⁵ Includes the strengthening of disaster preparedness functions such as the installation of air conditioning equipment in gymnasiums, 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.

through the verification of the implementation status. At the high school level also, the government will promote the reduction of educational expenses while improving the quality of education.

(Construction of a mechanism to enhance the quality of research)

To drastically strengthen basic research capabilities by improving the quality and productivity of research, the government will promote integrated reforms of education, research, and governance at universities while strengthening EBPM in the overall science and technology policies. In addition, the government will secure sufficient basic expenses such as operating grants and subsidies for private schools, and will constantly review and enhance research funding, including the reform of the Grants-in-Aid for Scientific Research system. Furthermore, we will promote the strategic development, utilization, and upgrade of large-scale research facilities²²⁶ through public-private partnerships, etc., improve productivity through research DX, improve the compensation of young researchers, promote the active participation of female researchers and R&D management personnel, turn campuses into co-creation centers through industry-academia-government collaboration, and promote work-style reforms for physicians in university hospitals while ensuring the quality of education, research, and medical care functions in these hospitals.

The government aims to have the Science Council of Japan, as the best academy in the world, contribute to the welfare of the people and the development of Japan through the improvement and development of science and the achievements of science. In order to strengthen the functions of the Science Council, we will proceed with deliberations on the necessary legislation for the Science Council to become an organization with an independent legal personality so as to ensure its thorough independence, autonomous evolution, as well as transparency and governance.

(4) Strategically developing social capital

As the population declines and infrastructure deteriorates at an accelerating rate, the government will promote wide-area and multi-sectoral cooperation, and the utilization of PPP/PFI and new technologies, in order to build sustainable local communities. In parallel, we will work on the greater efficiency and sophistication in town development and infrastructure maintenance/management, the greater efficiency and prioritization of public investment, and the sustainable use and management of land and water resources. In this way, we will promote further efficiency and sophistication of social capital development, etc.

²²⁶ Large synchrotron radiation facilities SPring-8 and NanoTerasu, supercomputer Fugaku, etc. Includes international facilities that will lead the world's academic frontiers in fields such as biology/medicine, particle physics, astronomy, and informatics.

(Improving efficiency and sophistication of town development and infrastructure maintenance)

In addition to promoting the construction and development of regional living areas through wide-area, multi-sectoral, and public-private partnerships, the government will work to foster self-reliant regional management entities toward the circulation of regional economies. While promoting making wide-area urban areas more compact, the government will consider the priorities and other matters concerning measures to address the aging infrastructure (repair, renewal, aggregation, consolidation, etc.) based on town development plans such as location optimization plans, before the implementation. We will promote Architectural and Urban Digital Transformation, such as Base Registry, including real estate IDs and 3D models (architectural BIM²²⁷, PLATEAU), and promote the creation of new services through the sophistication of town development and public-private data collaboration.

We will promote full-scale conversion into preventive maintenance and the sophistication/efficiency of maintenance/management as well as the optimization of public stock by implementing wide-area and strategic infrastructure management, using new technologies such as AI, and promoting collaboration between business operators or between private and public sectors. 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.

(Efficiency and prioritization of public investment)

The government will promote i-Construction2.0, which aims at automation and labor saving, in order to achieve at least 30% labor saving and 1.5 times productivity improvement at construction sites by 2040. We will promote cross-sectoral development and disclosure of infrastructure data²²⁸ as well as online administrative procedures, and will accelerate infrastructure DX.

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 in view of demographic trends, while improving the objectivity and transparency of cost-benefit analysis.

We will work on making public works projects more efficient²²⁹ and will undertake strategic and systematic efforts while promoting stable and sustainable public

²²⁷ Abbreviation for Building Information Modeling. This modeling is designed to improve the efficiency of the entire construction production and management system by sharing data among related parties.

²²⁸ Including Land, Infrastructure, Transport and Tourism Data Platform, and Project LINKS, which will engage in EBPM and business creation through data preparation and utilization.

²²⁹ Includes leveling of construction time.

investment from a medium- to long-term outlook so that private businesses can make capital investments²³⁰ and develop human resources with peace of mind. In doing so, we will take into account the impact of the recent surge in material prices and encourage appropriate price pass-through including labor costs, continue to secure the necessary business volume, run through effective PDCA cycles, and steadily improve social capital.

In order to realize a sustainable construction industry, the government will secure and train workers by developing an environment for women's active participation, promoting work-style reforms, and ensuring safety management.

(Promoting PPP/PFI)

With regard to PPP/PFI, which will provide public services efficiently and effectively, we will further advance efforts with the aim of steadily achieving the targets set forth in the revised Action Plan²³¹. While continuing to support the business development of PPP projects in priority areas such as water PPPs, airports, stadiums/arenas, etc., we will promote PPP/PFI for SDF facilities, national parks, and crematoriums. In addition to building an environment in which private companies can obtain appropriate profits through their efforts and ingenuity, we will promote the creation of cross-sectoral and wide-area projects. We will promote the spread of small concessions, etc., that utilize existing stock of vacant houses, etc., and strengthen local platforms.

(Sustainable use and management of land and water resources)

In order to realize sustainable land use and management²³², the government will introduce measures for smooth conversion of land use, including the conversion into non-residential land use. With regard to measures to address vacant houses, in light of the fact that such measures are also important as measures against disasters, the government will promote comprehensive actions by controlling the occurrence of vacant houses through the back-up of local governments, and properly managing and disposing such houses. In addition, we will expand the use of such houses by expanding the relevant distribution mechanism and promoting dual-area residence. We will also promote measures for unclaimed land²³³ in an integrated and comprehensive manner, including the dissemination of the mandatory application for inheritance registration, the strengthening of consultation systems, as well as conducting cadastral surveys and preparing maps by the Legal

²³⁰ Includes securing materials and equipment such as work vehicles and work vessels.

²³¹ PPP/PFI Promotion Action Plan (2024 Revised Edition) (Decision at the Private Finance Initiative Promotion Council on June 3, 2024).

²³² Based on the revised Basic Land Policy (Cabinet Decision on June 11, 2024).

²³³ Based on the Basic Policy on Promotion of Measures for Unclaimed Land (Decision at the relevant ministerial meeting to promote measures against unclaimed land, etc., on June 10, 2024).

Affairs Bureau. Efforts will be made to secure real estate appraisers who support public land appraisals. In addition, we will work to facilitate proper management of condominiums²³⁴ and their regeneration.

The government will maintain or recover a sound water cycle, and will effectively use water resources in river basin. We will also promote the watershed comprehensive water management, which works on energy conservation and related issues, including the reinforcing of hydroelectric power generation on a watershed-by-watershed basis and the reorganization of water supply/sewerage facilities. The environment will be improved so that measures for water supply and sewerage systems can be taken in an integrated manner²³⁵.

(5) Enhancing fundamentals of local administration and public finance

In order to realize a vibrant and sustainable local community even in the midst of a rapidly declining population, a declining birthrate, and aging population, it is important that a virtuous economic cycle should reach every corner of each region, and that local governments should address resource constraints such as labor shortages and aging infrastructure and provide administrative services in a sustainable manner, bearing in mind future demographic trends that differ from region to region. To this end, the government will work to revitalize local economies and create new employment opportunities by investing in people at the regional level, promoting DX and GX, and strengthening the flow of people to local regions. We will also strengthen respective regions' own disaster prevention and mitigation efforts based on the lessons learned from the 2024 Noto Peninsula Earthquake, provide wide-area administrative services beyond the framework of local governments, and promote local government DX through the thorough implementation of digital technologies such as AI and RPA, thereby achieving both better convenience for residents and higher administrative/fiscal efficiency. The government will ensure that the total amount of general revenue sources necessary for stable fiscal management of local governments, including those receiving local allocation tax grants, shall be maintained substantially at the same level as that of the FY 2024 Fiscal Plan of Local Governments, and not below. In this way, we will secure and strengthen the sustainability of local administrative and fiscal foundations that support the realization of a virtuous cycle of wages and prices in local regions.

(Wide-area cooperation, and providing services through cooperation and

²³⁴ In parallel, in view of future changes in the financial environment, efforts will be made to facilitate refinancing of housing loans to fixed-rate loans.

²³⁵ In parallel, we will promote the use of wastewater treatment facilities, including Johkasou, based on local conditions.

collaboration with various entities)

Local governments will work together to promote efforts to secure and train human resources necessary for local communities. Related ministries and agencies as well as local governments will also work together to jointly implement administrative works where wide-area efforts are considered effective. In particular, we will reinforce efforts for consolidation or joint use of public facilities among several local governments. In addition, we will progressively develop an environment that facilitates the provision of daily life services through cooperation and collaboration among various local entities.

(Improving administrative and fiscal efficiency through local government DX)

Regarding local government DX, while ascertaining the quantitative effects, we will work on front-yard reforms, such as online application and "one-stop counter without writing," and backyard reforms, such as unification and standardization of core service systems and utilization of eLTAX for payment of public money other than local taxes, in an integrated manner²³⁶. Prefectural governments and municipalities will establish a system for promoting their cooperation, in which the human resources pool function is to be ensured. In addition, we will promote the formulation of policies for ensuring cyber security in local governments while also progressively improving "Central/Local Government Consultation Chatbot (Govbot)" from the user perspective.

With the overconcentration of functions in Tokyo 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.

When the ministries and agencies have no choice but to make a plan for the form of a system related to local governments, they shall explain it to the six local governments organizations at an early stage. With regard to the existing plans, the national government will reduce the administrative burdens on local governments and publicize annually the status of the review. The Cabinet Office will provide the necessary support to the ministries and agencies in response to the prior-consultation from them.

²³⁶ Ministry of Internal Affairs and Communications formulated the Local Government Digital Transformation (DX) Promotion Plan [Version 3.0] (April 24, 2024), which summarizes the priority issues for local governments.

4. Enhancing evidence-based policy making (EBPM) for pursuing reforms

In order to thoroughly implement wise spending in the integrated economic and fiscal reforms, it is important to design EBPM from the policy-making stage, to overcome impediments to the promotion of EBPM, such as the lack of budget, data, human resources, and know-how, and to motivate the relevant personnel to unerringly engage in EBPM. For this reason, in order to thoroughly strengthen EBPM, the Council on Economic and Fiscal Policy will select important policies and plans, which will be enforced for multiple fiscal years and will have a significant impact on the economy and public finances, from the policies included in the Basic Policy. Then, the Cabinet Office, the relevant ministries and agencies will formulate policies for evidence development from the budget request stage, set logic models and KPIs, collect data, and proceed with process management through ex post facto verification. The progress will be reported before the formulation of the Basic Policy for the next fiscal year. In the analysis and evaluation of important policies, etc., selected by the Council on Economic and Fiscal Policy, the relevant systems will be developed while utilizing the research and study functions of the Cabinet Office, the relevant ministries and agencies. We will consider measures to reflect the results of EBPM efforts and quantitative policy effects in the budget formulation process in the following fiscal year and beyond.

From the perspective of strengthening the effectiveness of government-wide EBPM, we will promote the development of infrastructure for data linkage/analysis, the training and exchange of EBPM human resources, as well as the accumulation and utilization of knowledge on methods for ascertaining and analyzing policy effects at research institutions and universities. We will utilize the administrative project review sheet system in the budget formulation process to promote EBPM in all budget projects.

We will promote the use of well-being indicators in public administration, such as the multifaceted evaluation of economic growth and policy effects using both objective and subjective indicators and will organize the relationships between these indicators and various policies. We will examine economic indicators that reflect changes in the next generation's social life and their values and will promote initiatives with an eye toward future reflection in the international statistical standard for the national accounts and social implementation. The government will promote official statistics DX, such as the utilization of statistical data using AI, etc. We will also promote the development of analysis and indicators using big data from private companies.

Chapter 4 Immediate Economic and Fiscal Management and Approach to Fiscal 2025 Budget Formulation

1. Economic and fiscal management for the immediate future

At present, consumption is not strong as price hikes outpace wage increases. However, wage increases are expected to outpace price hikes as the economy will continue to recover at a moderate pace. We need to pay attention to the downside risks of overseas economies and the impact of an increase in import prices due to the weak yen, etc.

In economic and fiscal management, the first step will be to realize the trend of wage increases in the spring labor-management negotiations even at SMEs, small businesses, and local entities, etc., raising wages in the field of medical and long-term care based on public prices, as well as raising minimum wages. On top of that, we surely create a situation in which growth in household income outpaces price hikes by introducing flat-amount cut of personal income tax and individual resident tax. At the same time, aiming to maintain wage increases that outpace price hikes from next year onward, the government will work to raise the potential growth rate by implementing trinity labor market reforms to achieve sustainable and structural wage increases, and by expanding domestic investment to improve productivity,

To this end, the government will swiftly and steadily implement the Comprehensive Economic Measures to Completely Overcome Deflation²³⁷, the supplementary budget for fiscal 2023, which materializes the Comprehensive Economic Measures, as well as the budget for fiscal 2024 and related measures.

At the same time, we expect the Bank of Japan to achieve the price stability target of 2 percent in a sustainable and stable manner, while confirming the virtuous cycle between wages and prices, by conducting appropriate monetary policy management in light of economic activity, prices and financial conditions.

2. Guiding Principles in Budget Formulation for FY 2025

- 1) Based on the situational awareness described above, we will strengthen the economic structure to realize sustainable growth and shift the Japanese economy into a new stage.
- 2) We will formulate a budget in line with the medium-term economic and fiscal framework set forth in Chapter 3 in the FY 2025 budget, based on this Basic Policy. However, this should not lead to narrowing the range of available options

²³⁷ Cabinet Decision on November 2, 2023.

for important policies.

- 3) We will formulate a well-defined budget by taking necessary budgetary measures for important policy issues, such as realizing sustainable and structural wage increases, expanding investment through public-private partnerships, accelerating the initiatives toward the transition into a new stage, 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 the EBPM and PDCA efforts and ensure wise spending. We will move forward with efforts to ensure the sustainability of the economy, finance, and social security from a medium- to long-term perspective, such as correcting the harmful effects of the single-fiscal year budget principle and addressing key issues in this Basic Policy.