Provisional Translation

Basic Policy on Economic and Fiscal Management and Reform 2026

July 21, 2026
Cabinet Decision

The content of the Basic Policy on Economic and Fiscal Management and Reform 2026 is as described in the Attachment.

(Attachment)

Basic Policy on Economic and Fiscal Management and Reform 2026

—The First Year of Responsible and Proactive Public Finances: Launching Japan's new Challenge! —

July 21, 2026

Basic Policy on Economic and Fiscal Management and Reform 2026
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Chapter 1　Basic Views on Macroeconomic Management

1. Toward Building a "Strong Economy"

Leveraging the latent power of Japan and its people and sweepingly reinforcing Japan's comprehensive strength as a nation is the mission of the Takaichi Cabinet. At the core of this mission is building a "strong economy," and we will pursue a fundamental transformation to a new approach to economic and fiscal management that goes beyond the extension of conventional policies.

Japan is currently experiencing historic structural changes, including population decline, changes in the security environment, energy constraints, increasing natural disaster risks, technological innovation led by AI, and intensifying inter-state industrial and technological competition. In such an era, there are limits to what can be achieved with conventional thinking in order to develop the economy and society and protect the lives of the people.

Also, the government will take the lead in amplifying the recovery momentum and extending its benefits to regions, small and medium-sized enterprises and micro-enterprises, and middle- and lower-income earners throughout Japan, ensuring that people nationwide can tangibly experience "economic improvement."

However, in the Japanese economy, the potential growth rate has been stagnant compared to other major nations, due to prolonged underinvestment for the future. This stagnation is accompanied not merely by a shortage of productive capacity, but also by a weakening of the qualitative foundations of growth, such as scientific and technological capabilities, industrial competitiveness, and human capital. Long-standing deflation has entrenched fixed perceptions of prices and wages among businesses and households, suppressing domestic investment and innovation. While the policy mix since the Second Abe Cabinet has moved the economy to a "non-deflationary environment," the full-fledged transition to a new growth economy remains a work in progress.

It should also be noted that in those major nations, industrial policies involving large-scale and long-term fiscal spending through public-private collaboration have become a major trend in response to challenges that cannot be resolved by leaving matters to the markets alone. This represents a Copernican shift in the very nature of economic and fiscal management. Japan is also called upon to manage the nation in response to this trend.

The Takaichi Cabinet will, under the concept of "responsible and proactive public finances," take a proactive role with the government stepping forward, working hand in hand with the private sector to promote investment in strategic fields, in order to break the trend of underinvestment and respond to the era of global mega-competition in industrial policy. We will boldly and strategically promote "strategic investments that enhance resilience against potential crises" to minimize various risks and "investments that promote growth" to bring advanced technologies to full bloom, and work to make Japan one of the world's leading hubs for intellectual creation and innovation through the promotion of startups and other measures, thereby strengthening growth capacity over the medium to long term. At the same time, from the perspective of securing the predictability of the government budget in order to attract private investment, we will correct the drawbacks of single-year budgeting and fundamentally reform the way the budget is formulated.

In addition to efforts to improve productivity through technological innovation and improvements in the quality of capital through such "strategic investments that enhance resilience against potential crises" and "investments that promote growth", we will strengthen human capital, which forms the foundation of economic power, through education and human resource development. We will also develop an environment in which companies can continue to take on challenges into the future through continuous regulatory and institutional reform and strengthen Japan's supply structure.

What is required of the government as a whole is, under the new fiscal management policy, to correct the drawbacks of single-year budgeting, unhesitatingly review past practices and precedents, and conceive, formalize, and decisively implement measures that are truly necessary for strengthening national power and improving the lives of the people. A posture of transforming the power of Japanese citizens—people's power—into the driving engine of Japan's growth is called for.

Toward building a "strong economy," it is extremely important that monetary policy be conducted as appropriate in a manner that contributes to achieving "stable inflation." The government will continue to cooperate closely and work together with the Bank of Japan in order to achieve sustainable economic growth with price stability that will not slip back into deflation. We expect the Bank of Japan, while paying due attention to factors such as economic developments at home and abroad, to conduct monetary policy as appropriate in light of economic activities, prices, and financial conditions and in close cooperation with the government in accordance with the spirit of the Bank of Japan Act[1] and of the joint statement of the government and the Bank of Japan,[2] thereby confirming the virtuous cycle between wages and prices and achieving the price stability target of 2% in a sustainable and stable manner.[3]

2. Building a Sustainable Economy and Society That Fulfills Our Responsibility to Future Generations

By realizing the building of a "strong economy" and "fiscal sustainability" simultaneously and in a balanced manner, we will fulfill our responsibility to the people living today and those who will live in the future.

Under this concept, "responsible and proactive public finances," we will place a steady reduction of the debt-to-GDP ratio at the core of fiscal management targets and enhance multifaceted analysis using various economic and fiscal indicators, as well as analyses that take uncertainties into account, and other forms of analyses, with a view to ensuring market confidence. We will also set out directions for a fundamental review of budget formulation, including shifting it to be suitable for strengthening economic growth potential and expanding the nominal size of the economy, establishing the '"Strong and Prosperous Japan" Investment Framework' for strategic investments that enhance resilience against potential crises and investments that promote growth, and moving away from dependence on supplementary budgets.

We will formulate the FY2027 budget as the first budget reflecting such fundamental reform of budget formulation, and position FY2027 as the first year of "responsible and proactive public finances." We will establish Chapter 3 of this Basic Policy as the

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[1] Bank of Japan Act (Act No. 89 of 1997).
[2] "Joint Statement of the Government and the Bank of Japan on Overcoming Deflation and Achieving Sustainable Economic Growth" (Cabinet Office, Ministry of Finance, and Bank of Japan, January 22, 2013).
[3] Based on Article 3 of the Bank of Japan Act (the Bank of Japan's autonomy regarding currency and monetary control must be respected), the specific methods of monetary policy are entrusted to the Bank of Japan.

"Medium- to Long-Term Economic and Fiscal Plan" based on responsible and proactive public finances and set the planning period from FY2027 to FY2040. With regard to this plan, the Council on Economic and Fiscal Policy will review the implementation status of the plan as a whole, taking into account reviews of "Japan's Growth Strategy,"[4] the "Strategy for the Future of Regions,"[5] the social security system for all generations, and other individual policy areas.

We will strengthen social security reform that simultaneously realizes a strong economy, sustainable public finances, and a high-quality social security system for all generations. Under the policy of halting and reducing premium rates for the working-age generation, we will work on the review of benefits and burdens, the building of a medical care and long-term care provision framework that enables people to receive necessary services with peace of mind, the improvement of service quality through the utilization of DX, AI, and robotics, and proactive preventive medicine.

To make "the Japanese archipelago stronger and more prosperous," we will overcome challenges such as population decline in regions, aging infrastructure, and shortages of personnel, and build strong regional economies and sustainable regional communities. To this end, we will concentrate budget allocation on strategic investments that enhance resilience against potential crises and investments that promote growth, that enhance regional resilience and "earning power," and organically link infrastructure development with industrial clusters. We will also work to maintain and improve efficiency and quality of infrastructure, administrative services, and essential services such as medical care and long-term care that support regions, through the thorough utilization of digital technology, the acceleration of coordination among local governments, and human resource development.

As we enter an era of rebuilding society, industry, and education premised on AI, we will advance AI utilization, the development, securing, and mobility of human resources, as well as initiatives to enable people to live and work with purpose and vitality, in an integrated manner, so that each and every individual can play an active role to the fullest extent according to their motivation and abilities.

To ensure Japan's growth capacity and the security of the people even amid population decline, we will promote measures on both fronts: reversing the declining birthrate trend and rebuilding the socioeconomic structure in response to population decline. Breaking down silos between ministries and agencies, we will work on reversing the declining birthrate trend, maintaining the vitality of the economy and society in a society in which human resources are dwindling in number, building a social security system for all generations, and building sustainable regional communities. To this end, we will strengthen the promotion framework at the Headquarters for Population Strategy, including through expert councils, and advance discussions toward the formulation of a consistent and comprehensive strategy (tentatively titled "Comprehensive Population Strategy") by around the end of 2026. In doing so, we will also conduct a multifaceted examination of the scale of the labor force that will be needed in the future.

Strategic and effective public relations are essential for the realization of the Cabinet's important policies, including this Basic Policy. We will fundamentally strengthen effective and strategic policy communication and outreach both domestically and internationally, using every available means, including the timely monitoring of online trends, including

[4] Cabinet Decision of July 21, 2026. Hereinafter referred to as the "Growth Strategy."
[5] Cabinet Decision of July 21, 2026.

the utilization of AI, diverse video communications that can broadly appeal to the public, strengthening of efforts to disseminate information widely through television, newspapers, and other media, and the development of diverse means of public relations tailored to target audiences.

Chapter 2 Strengthening Japan's Growth Capacity and Ensuring Safety and Security

Toward the realization of a "strong economy," we will expand domestic investment, strengthen supply capacity, and raise the potential growth rate. To this end, we will position strategic investments that enhance resilience against potential crises and investments that promote growth as the core of the "Growth Strategy," take bold measures, and promote in an integrated manner the strengthening of the growth foundation including energy and resource security and science, technology, and innovation, the strengthening of regional earning power and human capital, the establishment of strong diplomacy and security, and the ensuring of the safety and security of the people. Individual measures will be formalized in the Public-Private Investment Roadmap and related policy packages; this Basic Policy sets out the policy direction and approach to prioritization of the Takaichi Cabinet.

1. Building a "Strong Economy"

Japan is facing structural and complex environmental changes, including the rapid decline of the working-age population, the shaking of the international order and rising geopolitical risks, the weakening of supply chains, and the rapid advancement of disruptive technological innovation led by AI. In this context, it is urgently necessary to thoroughly leverage domestic investment, which has been overwhelmingly insufficient, in order to improve the productivity of the Japanese economy, enhance value creation capacity and supply capacity, and raise the potential growth rate. Taking into account the growing momentum for a mindset shift in the business community toward an "investment-driven economy" toward the realization of a "virtuous cycle of growth and distribution," we will position the realization of 250 trillion yen in domestic investment by FY2040 as a new public-private target, strengthen public-private collaboration more than ever before, and work toward its realization.

Centered on the 17 strategic fields[6], we will boldly and strategically advance strategic investments that enhance resilience against potential crises and investments that promote growth in an integrated manner between the public and private sectors, aiming to realize the virtuous cycle of a "strong economy" that ensures the growth capacity of the Japanese economy and the safety and security of the people, increases income, improves consumer sentiment, raises business profits, and leads to a natural increase in tax revenues. We will also raise medium- to long-term growth capacity through the promotion of startups and other measures to make Japan one of the world's leading hubs for intellectual creation and innovation, the strengthening of human capital, and the development of an environment that encourages corporate challenges through continuous regulatory and institutional reform.

To this end, we will vigorously advance the "Growth Strategy," and, with an emphasis on realizing the social implementation of advanced technologies to strengthen supply capacity, take a proactive role with the government stepping forward, take bold multi-

[6] The 17 strategic fields are: AI and semiconductors, digital technologies and cybersecurity, information and telecommunications, quantum technologies, defense industry, aviation and space, ocean, shipbuilding, materials (critical minerals and components), synthetic biology and biotechnology, drug discovery and advanced medical care, natural resources and energy security, GX, fusion energy, disaster management and national resilience, port logistics, food tech, and content industry.

year measures to enhance the predictability of businesses, and advance the realization of public-private investment and the formalization of the investment environment. We will also concentrate and intensively implement whole-of-government policy packages in close coordination with one another, including the "Strategy for the Future of Regions" for building strong regional economies, the 7th "Science, Technology, and Innovation Basic Plan"[7] for the renovation of scientific and technological capabilities, and the "Regulatory Reform Implementation Plan"[8] setting out the roadmap for regulatory reform.

(1) Promoting "Japan's Growth Strategy"

We will vigorously advance the "Growth Strategy." We will steadily implement all specific measures incorporated in the strategy and realize bold public-private investment.

(Realizing Public-Private Investment in Strategic Fields)

This is based on two types of investment: Strategic investments that enhance resilience against potential crises, which strengthens "autonomy" by reinforcing products and technologies that contribute to minimizing various risks and resolving social challenges, and supplies them domestically and internationally to lead to the securing of "indispensability" and growth; and investments that promote growth, which realizes the early social implementation of advanced technologies such as AI and quantum technologies in Japan and their expansion into overseas markets, driving sustainable innovation-led growth. While advancing these two types of investment, we will accelerate "AI transformation (AX)" across all industries, centered on the building of physical AI that maximizes Japan's strengths such as abundant field data and manufacturing foundations, as a growth accelerator that runs through both, and work toward the transition to an economic structure that generates high added value even during population decline.

We will steadily implement the policy packages incorporated in the Public-Private Investment Roadmap for 62 major products and technologies[9] in the 17 strategic fields. We will advance in an integrated manner a combination of the utilization of multi-year budget measures, the creation of initial demand through government procurement and regulatory reform, seamless support from research and development through to social implementation, the development of business foundations such as human resources,

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[7] Cabinet Decision of March 27, 2026.
[8] Cabinet Decision of July 21, 2026.
[9] 62 items: Physical AI (particularly AI robots), Semiconductors, which form the core of Physical Intelligent Systems, Vertical AI (domain-specific AI), Data platforms, Secure AX/DX (AI transformation/digital transformation) Infrastructure for national and local governments, Advanced security products and services designed for the AI era, Cloud and Data Centers, and Batteries, Healthcare DX infrastructure optimized for cloud-native architecture, Autonomous driving technologies, All-Photonics Network (APN), Submarine cables, Next-generation wireless (non-terrestrial networks, 5G/Beyond 5G (6G), etc.), Quantum computing, Quantum communications and networks, Quantum sensing, Small Unmanned Aircraft Systems, Naval vessels, Dual-use technologies, Civilian aircraft (next-generation single-aisle aircraft, next-generation aircraft), Unmanned Aircraft Systems, Advanced Air Mobility, Rockets and Launch sites, Artificial satellites and services, Lunar exploration and low Earth orbit technologies, Unmanned maritime vehicles (Sea drones), Maritime Domain Awareness (MDA), Innovative seabed development technologies/systems, Next-generation ships, ship repair, LNG carriers, Permanent magnets, Green steel, Innovative metal components, Low-carbon metal components (excluding steel), Smelting, separation and refining, and dismantling and sorting technologies for primary raw materials (ore, etc.) and secondary raw materials (circular resources such as recycled materials), New composite materials developed using AI, etc., Biomanufacturing, Biopharmaceuticals and Regenerative medicine products, etc., First-in-class products and best-in-class products (Pharmaceuticals and Regenerative medicine products), Products for responding to infectious diseases, Advanced medical devices utilizing innovative technologies (AI, robotics, etc.), Healthcare-related services utilizing personal data including lifelogs, Next-generation solar cells (Perovskite solar cells, etc.), Hydrogen and its derivatives, Next-generation geothermal energy, Offshore wind power, Next-generation advanced reactors, GX in the chemical industry, Fusion energy, Disaster management technologies, Port cargo handling equipment, Cyber Port (Digital Transformation of Port Logistics), Next-generation warehouses, Plant factory, Land-based Aquaculture, Food Machinery, Future Foods, Games, Anime, Manga, Music, Live-action.

data, and computing resources, bold support from the tax and financial fronts, and the strengthening of international standardization and cooperation with like-minded countries and the Global South. We will simultaneously pursue the securing of autonomy and indispensability and the capture of overseas markets.

It should be noted that these public-private investments have different time horizons—maintaining current revenue sources, nurturing the next revenue-generating businesses, and cultivating seeds of growth for the future—and therefore we will strategically manage the strategic fields as a whole as a portfolio and pursue sustainable growth over the short, medium, and long term through a multi-track approach, including adjusting support measures in response to changes in circumstances.

(Integrated Efforts to Address Cross-Sectoral Challenges)

To make public-private investment in the 17 strategic fields truly effective and broadly distribute its benefits throughout Japan and across all industries, we will comprehensively and integrally advance the development of foundations that contribute to the promotion of domestic investment through behavioral change by both the public and private sectors.

To this end, we will steadily implement the policy packages[10] for addressing the eight cross-sectoral challenges[11] described in the "Growth Strategy." Specifically, we will steadily advance responses to the following challenges: ① development of foundations for promoting domestic investment through behavioral change by both the public and private sectors; ② supply chain resilience and international cooperation; ③ strengthening the competitiveness of global industries and improving the productivity of local industries; ④ strengthening innovation capacity incorporating the technological capabilities of startups; ⑤ strengthening the supply of risk money supporting investments that promote growth and upgrading financial functions; ⑥ developing an environment for the active participation of diverse human resources through the securing and development of field and specialist human resources, labor market reform, and the reduction of burdens such as household chores; ⑦ developing an environment for wage increases[12] that creates a virtuous cycle of investment and wage increases; and ⑧ strengthening cybersecurity to ensure a safe cyberspace.

(Connecting the Public-Private Investment Roadmap to Budget and Fiscal Management)

Based on the Public-Private Investment Roadmap for the 17 strategic fields concretized by the Council for Japan's Growth Strategy, the measures and investment amounts for addressing the eight cross-sectoral challenges, and projections for GDP, the debt-to-GDP ratio, and other indicators, we will clearly connect strategic investments that enhance resilience against potential crises and investments that promote growth to the budget formulation and fiscal management of the government as a whole.

As measures for this purpose, we will establish the '"Strong and Prosperous Japan" Investment Framework' for strategic investments that enhance resilience against potential crises and investments that promote growth, and utilize multi-year predictable

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[10] For example, the "Comprehensive Startup Creation and Scale-up Package," the "Financial Services Strategy to Promote Growth Investment," and the "Strategy to Strengthen the Earning Power of Mid-sized and Small Enterprises in a Society Facing Labor Supply Constraints."

[11] For example, the "Comprehensive Startup Creation and Scale-up Package," the "Financial Services Strategy to Promote Growth Investment," and the "Strategy to Strengthen the Earning Power of Mid-sized and Small Enterprises in a Society Facing Labor Supply Constraints."

[12] Note that the "Growth Strategy" states that "In accordance with the 'Strategy for Strengthening the "Earning Power" of Mid-Sized and Small and Medium-Sized Enterprises in a Labor-Constrained Society,' the government will secure the necessary budget and demonstrate its readiness to provide stronger, more stable, and seamless support than ever before."

investment support measures to encourage each ministry and agency to conceive, propose, and implement large-scale investments, research and development, and regulatory and institutional reforms that open up Japan's future from a medium- to long-term perspective, unconstrained by single-year budgeting or dependence on supplementary budgets.

(Steady Follow-Up and Updates)

In implementing the "Growth Strategy," we will flexibly deploy necessary policy resources, and, with the 5W1H (who, what, when, where, why, and how) in mind, regularly repeat a "PDCA mechanism" under the Council for Japan's Growth Strategy that concretizes measures over multiple years and brushes up and reviews them taking into account the implementation status of measures and trends in technology development, in the budget formulation process, including the preliminary budget request stage.

At the same time, by advancing regulatory reform and administrative reform in an integrated manner, we will work to eliminate constraints that impede public and private investment, and advance the visualization of policy effects and the horizontal rollout of best practices.

(2) Strengthening the Growth Foundation

("Lead in Technology and Succeed in Business" — a New Kind of Technology-Driven Nation)

We will place science, technology, and innovation at the core of the national strategy, and aim to realize a "new kind of technology-driven nation" through bold public-private investment. First, we will smoothly implement the amended Industrial Technology Enhancement Act,[13] including promoting the active utilization of the research and development tax incentives strengthened in the FY2026 tax reform, with due consideration for the predictability of businesses.

Centered on research and development and social implementation in the 17 strategic fields, we will promote efforts to lead the world's academic frontiers and provide continuous support for technologies and human resource development in which Japan has strengths. We will advance support for basic research and the challenging research of young researchers, the promotion of cutting-edge research through overseas dispatch of Japanese researchers and international joint research, and the development of science and technology human resources, including highly specialized professionals, as well as the construction of research infrastructure to support them, such as the formation of industry-academia co-creation hubs. We will realize an advanced scientific environment and strengthen industrial competitiveness through the establishment of a new system for a new group of research universities,[14] support for industry-academia collaborative academic degree programs, and the strengthening of the functions of national research and development agencies.[15] Furthermore, we will work on the development of startup finance through further strengthening of funding from government-affiliated financial institutions and others as a catalyst for private funds. We will also create and expand new demand through government procurement, such as

[13] Act for Partial Amendment of the Industrial Technology Enhancement Act (Act No. 41 of 2026).
[14] In doing so, we will also examine the systematization (appropriate division of roles and inter-system coordination) of three systems, including the Universities for International Research Excellence and the Program for Forming Japan's Peak Research Universities.
[15] Hereinafter referred to as "national research and development agencies." The 7th "Science, Technology, and Innovation Basic Plan" includes the Japan Institute for Health Security.

defense procurement, and through the introduction and utilization of regulations and standards.

In addition, we will work toward the social implementation of the many new technologies and services exhibited at Expo 2025 Osaka, Kansai, Japan as the "Expo legacy," making them the nucleus of new industries.

(Startups)

Based on the "Comprehensive Startup Creation and Scale-up Package,"[16] which fundamentally strengthens the "Startup Development Five-year Plan,"[17] we will provide seamless support for startups from research and development through to commercialization and social implementation. By formulating an improvement plan for the early achievement of the 3% target for the startup ratio in government procurement, fundamentally strengthening the SBIR scheme[18] to promote full-scale government procurement in an anchor tenancy model,[19] strategically attracting overseas investors such as top overseas venture capital (VC) firms, and activating the M&A market to build a global ecosystem in which domestic and overseas funds, human resources, and technologies circulate in a virtuous cycle, we will promote the growth of Japan-originated startups, including deep tech, and connect this to the realization of a "strong economy."

(Promoting AX/DX and Opening Up New Frontiers)

As a nation, we will commit to AX—driving society as a whole with "trustworthy AI."

To this end, we will reorganize the Council for Digital Administrative and Fiscal Reform and, work in unison with the Artificial Intelligence Strategy Headquarters, the Council for Promotion of Regulatory Reform, and other relevant bodies to proactively and fundamentally review legal systems, guidelines, and other regulations related to the development and utilization of AI, thereby implementing AX/DX across government agencies. Based on "Japan’s Second Artificial Intelligence Basic Plan"[20] and other frameworks, we will strengthen AI development and utilization under appropriate risk management and develop AI and data foundations while establishing open AI sovereignty. We will also strengthen its promotion structure to vigorously advance measures relating to AI, including legal and regulatory frameworks, technological development, and international cooperation.

Based on the "Priority Plan for the Advancement of a Digital Society”,[21] we will advance the development of an environment for the early realization of an autonomous driving society in response to technological innovation, the development of a trustworthy environment for data utilization, the strengthening of resilience and autonomy of the government's digital foundations, and digital administrative and fiscal reform.

To enhance and utilize geospatial (G-space) information, we will formulate the 5th "Basic Plan"[22] within FY2026 and formulate and promote a priority strategy toward building a "new common foundation" including the utilization of AI technology. Leveraging such G-space information, we will promote efforts in the space and ocean fields. In the

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16 Formulated and published by the Cabinet Secretariat on May 20, 2026.
17 Decided by the Council of New Form of Capitalism Realization on November 28, 2022.
18 Small/Startup Business Innovation Research.
19 A method in which the government commits to purchasing and using products and services of private companies as a stable large-volume customer through long-term contracts, thereby enabling revenue recognition and attracting private investment to develop industries.
20 Cabinet Decision of July 14, 2026.
21 Cabinet Decision of July 21, 2026.
22 Basic Plan for the Advancement of Utilizing Geospatial Information.

space field, based on the "Basic Plan on Space Policy"[23] and the "Space Technology Strategy,"[24] we will promote the Space Strategy Fund, the Quasi-Zenith Satellite System, and the development of JAXA's facilities and equipment. We will also work on the promotion of space transportation, communications, and data utilization, the examination of relevant laws and regulations and the development of screening frameworks, and the enhancement of the organizational structure of the secretariat under the Strategic Headquarters for National Space Policy, which serves as the command tower, and commence the revision of the "Basic Plan on Space Policy." In the ocean field, based on the 4th "Basic Plan on Ocean Policy,"[25] the "Ocean Development Strategy,"[26] and other frameworks, we will comprehensively promote efforts such as the preservation of low-tide lines[27] and commence the revision of "Japan's Arctic Policy."[28] We will also enhance the organizational structure of the secretariat under the Headquarters for Ocean Policy, which serves as the command tower. With regard to populated remote territorial island areas, which play an important role as activity bases for the conservation of territorial sea and other areas, based on the amended Act,[29] we will further enhance and promote measures for their conservation and the maintenance of regional communities, such as the promotion of stay-type tourism and the demonstration and implementation of advanced technologies.

(Thoroughly Implementing Regulatory and Institutional Reforms)

We will vigorously advance the "Regulatory Reform Implementation Plan." By steadily and swiftly implementing all regulatory reform measures included in the Plan, we intend to promote private investment and innovation, thereby creating an environment to enable businesses to undertake long-term challenges.

As the approach to regulatory and institutional reform suited to the AI era, while strengthening cross-ministerial coordination frameworks, we will work to expedite institutional revisions through the improvement of efficiency in information collection and analysis, the early implementation of surveys and demonstrations, the active utilization of various regulatory reform-related systems, and the advance setting of examination deadlines. At the Council for Promotion of Regulatory Reform, we will enhance the organizational structure of the secretariat, conduct new discussions that contribute to the growth strategy, and thoroughly implement user-oriented regulatory and institutional reforms in line with changes in the times and environment as well as technological advancements. We will promote the social implementation of new technologies such as AI and drones, the integrated institutional design for the primary and secondary use of medical and other data, and the review of local rules, and advance necessary initiatives for the resolution of the shortage of mobility throughout Japan with respect to autonomous driving and ride-sharing, taking into account international practices and local needs, while ensuring safety and public confidence as well as appropriate working conditions. In particular, we will work on the review of relevant laws and regulations suited to the characteristics of autonomous driving.

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[23] Cabinet Decision of June 13, 2023.
[24] "Space Technology Strategy" (FY2025 Revision) (Space Policy Committee, February 24, 2026).
[25] Cabinet Decision of April 28, 2023.
[26] Decided by the Headquarters for Ocean Policy on April 26, 2024.
[27] Including international cooperation through the Arctic research vessel "Mirai II," the construction of a transportation framework for Antarctica through the successor vessel to "Shirase," and the building of the Hadal-Deep Sea Exploration Support Vessel.
[28] Decided by the Headquarters for Ocean Policy on October 16, 2015.
[29] Act for Partial Amendment of the Act on Special Measures for the Conservation of Populated Remote Territorial Island Areas and Local Communities of Specified Populated Remote Territorial Island Areas (Act No. 54 of 2026).

(Improving Corporate Management Capabilities)

To transform corporate governance toward a growth-oriented approach and encourage both companies and institutional investors to focus on medium- to long-term corporate value enhancement, thereby promoting necessary investments that promote growth and business portfolio reviews, we will promote the dissemination and implementation of the revised "Corporate Governance Code" and "Guidance for Growth Investment."

From the perspective of achieving a level playing field with other countries and developing an institutional environment that supports bold management decisions by companies, we will consider reviewing the Companies ACT, including the rules on shareholders meetings.

Based on the "Intellectual Property Strategic Program 2026,"[30] we will promote the utilization and protection of intellectual property and intangible assets and the utilization of standardization in national strategies and corporate management, and advance the New Cool Japan Strategy through promotion of Japan's attractiveness via collaboration with content and value creation by means of integrated branding of agricultural, forestry and fishery products and food, fashion, J-Beauty,[31] and other areas. We will also fundamentally enhance the organizational structure of the secretariat, including the development of a framework for cross-ministerial coordination of standardization policies under the Intellectual Property Strategy Headquarters, which serves as the command tower.

(Promoting the Supply of Funds Supporting Growth)

To further develop the initiative to promote Japan as a leading asset management center and support investments that promote growth in the 17 strategic fields and other areas and the restructuring and reorganization of Japanese companies from a financial perspective, we will formulate a "Financial Services Strategy to Promote Growth Investment."[32] We will strengthen the fund supply and growth support functions of financial institutions, realize a deep financial market, and strengthen regional financial capabilities. We will also improve the functions of asset owners, promote steady asset building of households, and advance on-chain finance.[33] We will expand the domestic investor base by enhancing the attractiveness of JGBs for Retail Investors.

(Strengthening Natural Resource and Energy Security and GX)

Energy is the foundation of the lives of the people and domestic industry, and a stable supply and affordable prices are both essential for strengthening location competitiveness. Taking into account the situation in the Middle East, we will overcome the vulnerabilities arising from the high degree of external dependence on resources and energy and the concentration of procurement sources and strengthen the resilience of the energy supply and demand structure, including stockpiles. While promoting the utilization of “mobility infrastructure” and energy efficiency, we will work to secure Japan's

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[30] Decided by the Intellectual Property Strategy Headquarters on June 12, 2026.
[31] Cosmetics, beauty appliances, beauty equipment, beauty products, hair, nail, esthetic, and other products and services in Japan.
[32] To be formulated and published by the Cabinet Secretariat on July 21, 2026.
[33] On-chain finance refers to finance in which payments and settlements using tokenized deposits, stablecoins, and other digital instruments on blockchains are programmatically linked and integrated with data management of commercial distribution and logistics through smart contracts. Potential applications include data management of ordering and delivery in manufacturing, document management in trade operations, and securities settlement in the financial sector.

upstream interests in oil and other resources, diversify supply sources, and secure stable transportation and distribution frameworks.

Toward the realization of the 2050 carbon neutrality target and the improvement of energy self-sufficiency, based on the "Growth Strategy" and "Sector-Specific Investment Strategies," we will advance bold GX investment from the perspective of strategic investments that enhance resilience against potential crises, maximize the utilization of decarbonized power sources, and advance fuel switching to natural gas and other fuels.[34] With regard to renewable energy, premised on coexistence with local communities and the principle of S+3E[35], we will strengthen the supply chains for perovskite solar cells and next-generation geothermal power generation equipment and expand the deployment of renewable energy.

With the utmost priority on safety and with the understanding of local communities, we will work on accelerating the reactivation of nuclear reactors and the development and installation of next-generation advanced reactors. We will aim for the early social implementation of fusion energy leading the world.[36] We will enhance the nuclear disaster management suited to the specificities of each region, including the development of evacuation routes, and work on the expansion of survey areas for final disposal and other matters. We will also review safety regulations and consider strengthening the safeguards framework, including the establishment of an incorporated administrative agency in anticipation of the operationalization of the reprocessing plant, and aim to submit the relevant bills at the next ordinary session of the Diet.

Through the Asia Zero Emission Community (AZEC), we will contribute to decarbonization in Asia and harness Asia's growth potential. Under the "Partnership On Wide Energy and Resources Resilience Asia (POWERR Asia)," we will evolve economic and energy resilience through cooperation with Asian countries and others.

We will promote the diversification of critical mineral supply chains and strengthen national stockpiles. We will accelerate efforts to secure marine resources, including rare earths on the seabed around Minami-Torishima Island. We will also work to strengthen the resilience of supply chains for recycled resources through the Metal Recycling Promotion Strategy based on the "Circular Economy Action Plan"[37] and other measures.

(3) Building Strong Regional Economies

("Strategy for the Future of Regions" and Other Measures)

We aim for a society in which everyone, wherever they live in Japan’s 47 prefectures, can live in safety, access the healthcare and welfare services they need, receive a high-quality education, and have access to employment opportunities. This is the vision of Japan that the Takaichi Cabinet aims for. The most important thing for this is to build strong regional economies.

To this end, in addition to conventional regional revitalization efforts, we will vigorously advance the "Strategy for the Future of Regions" as a new initiative focused on building strong regional economies. With regard to investment based on this strategy, we will also utilize the '"Strong and Prosperous Japan" Investment Framework,' with the government taking a proactive role to take bold investment promotion measures and infrastructure

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[34] Including fuel conversion to hydrogen, ammonia, synthetic fuels, e-methane, and LPG.
[35] Safety, energy security, economic efficiency, and environmental suitability.
[36] In addition to the tokamak type of reactor developed through national projects such as the ITER project, we will leverage world class technological capabilities in helical and laser type of reactor, while also incorporating innovative technologies from startups.
[37] Decided by the Ministerial Council on the Circular Economy on April 21, 2026.

development in an integrated manner. To leverage the growth potential of regional areas and create new industrial foundations, we will strategically form industrial clusters in various regions. At the same time, we will underpin strong regional economies by realizing high-quality living environments and regions chosen by young people and women.

Toward the building of strong regional economies, we will provide proactive support based on the "Strategy for the Future of Regions."

In the "Strategic Industrial Cluster Plans," we will boldly advance investment promotion measures as set out in the Public-Private Investment Roadmap and implemented on a regional block basis transcending prefectural boundaries, using strategic investments that enhance resilience against potential crises and investments that promote growth as catalysts. These efforts will include the development of support infrastructure, the development of private-sector cluster hubs such as railways, shipbuilding docks, and rocket launch facilities, as well as investment support for related companies in the supply chains that constitute the clusters.

Furthermore, to vigorously advance the "Regional Industrial Cluster Plans" and "Local Industry Growth Plans" based on ideas originating from regions, we will expand the "Regional Future Grant" and advance in an integrated manner the supply of growth funds, corporate support, infrastructure development, regulatory and institutional reform utilizing special zone systems[38] and other frameworks, and the development of industrial human resources. We will also advance soft support for expanding sales channels and improving management capabilities and actively utilize national equipment investment subsidies and human resource development support measures for small and medium-sized enterprises to support the growth investment, business expansion, and value-added improvement of regional companies. We will work to rebuild regional foundations to enable the allocation of resources to growth fields even during population decline.

We will advance the introduction of AI in regional medium-sized and core companies and promote regional AX. Furthermore, taking into account the implementation status of the Act on Revitalization of Local Universities and industries,[39] we will support the promotion of studies and employment of young people in regions.

To confirm that investment is steadily progressing throughout all 47 prefectures and take necessary measures, we will regularly update and present a "Domestic Investment Map" that carefully ascertains and publishes the extent to which investment has progressed in each region. In doing so, we will clarify the 5W1H (significance, content, deadline, responsible department, forum for discussion, and approach of measures) in individual plans toward the achievement of numerical targets and thoroughly implement the PDCA cycle. We will also build a framework for providing advice suited to the needs of local governments, with the government as a whole, including regional offices.

Taking into account the characteristics of each region and aiming to make them a source of energy for Japan's economic growth, we will strengthen efforts based on the "Program for Promotion of Foreign Direct Investment in Japan (2026)"[40] and also utilize

[38] Refers to National Strategic Special Zones (Super Cities, Digital Garden City Special Zones for Health, Cooperation "Kizuna" Special Zones, etc.), Structural Reform Special Zones, and Comprehensive Special Zones.
[39] Act on Promotion of Young People's University Entrance and Employment by Revitalization of Local Universities and Increasing Job Opportunities (Act No. 37 of 2018).
[40] Decided by the Council for Promotion of Foreign Direct Investment in Japan on July 2, 2026.

special zone systems and the "Regional Future Grant."[41] We will advance the attraction of investment from overseas startups and venture capital (VC) firms.

We will ensure the full success of the GREEN×EXPO 2027[42] through an all-Japan framework with close public-private collaboration and make it an industrial fair for green technologies. Using its holding as an opportunity, we will present Japan's model of a society that coexists with nature and is sustainable.

(Developing an Environment for Wage Increases)

By fiscal year 2029, we aim to establish, as a norm (social convention) across the Japanese economy, annual real wage growth of approximately 1 percent—that is, wage increases that exceed annual inflation by about 1 percent under conditions of sustained and stable inflation.

Regarding the minimum wage, we will continue to make tireless efforts across both the public and private sectors to achieve the ambitious goal of a national average of 1,500 yen in the 2020s (as set forth in the “Basic Policy on Economic and Fiscal Management and Reform 2025”[43]). By striving for continuous improvements in labor productivity, we aim to reach a national average of 1,500 yen as early as possible, no later than the early 2030s.

In a society with labor supply constraints, wage increases are not merely distribution, but are "supply capacity strengthening" itself—attracting human resources, promoting productivity-improving investment through the expansion of consumption, and facilitating behavioral change by companies—and are the starting point of the growth strategy. To realize a "strong economy," "strong medium-sized and small enterprises" must play the leading role in driving regional economies. To this end, based on the "Strategy to Strengthen the Earning Power of Mid-sized and Small Enterprises in a Society Facing Labor Supply Constraints,"[44] we will provide proactive and broad support to companies taking on transformation, from companies with 10 billion yen in sales and medium-sized enterprises to companies with 100 million to 1 billion yen in sales and micro-enterprises, and local zebra companies. We will also steadily implement the "Labor-Saving Investment Promotion Plans"[45] through the enhancement and promotion of utilization of various subsidies and grants and cross-industry support frameworks, and further enhance and expand them, realizing a virtuous cycle of strengthening "earning power" and wage increases.

In public procurement, which has a large impact on regional economies, through the "Acceleration Plan for Ensuring Price Pass-Through and Proper Transactions in Public Procurement"[46] we will achieve 100% implementation by the end of FY2027 of the preparation of estimated prices reflecting actual market prices and the introduction and application of the low-bid price investigation system or the minimum price system. We will also vigorously promote price pass-through and proper transactions by reviewing

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[41] Including the acceleration of the translation of laws and regulations into foreign languages, aiming to publish English translations within one year of promulgation, centered on laws and regulations for which there are many requests from foreign companies and others.
[42] International Horticultural Expo 2027, Yokohama, Japan.
[43] "Basic Policy on Economic and Fiscal Management and Reform 2025" (Cabinet Decision of June 13, 2025).
[44] Formulated and published by the Small and Medium Enterprise Agency on June 24, 2026.
[45] Formulated in the "Grand Design and Action Plan for a New Form of Capitalism 2025 Revised Edition" (Cabinet Decision of June 13, 2025) and other frameworks.
[46] Working Group on Improving the Vitality of Small and Medium-Sized Enterprises and Others Toward Wage Increases, April 6, 2026.

price standards, visualizing progress, and providing accompanying support to local governments.

We will also fully support the efforts of prefectures and municipalities to improve the productivity of small and medium-sized enterprises utilizing grants and other measures.

Regarding the annual minimum wage increase, taking these government initiatives into account, discussions will be held within the Central Minimum Wage Council and Regional Minimum Wage Councils—composed of representatives from the public-interest, labor, and management—to ensure that decisions are made based on data regarding the three statutory elements and reflect actual conditions.

We will work to correct regional disparities by, for example, raising the ratio of the lowest regional minimum wage to the highest.

We will implement these initiatives in accordance with the provisions of the Basic Policy 2025.

(Regional Development Leveraging Distinctive Characteristics)

Aiming to realize a strong Okinawan economy, we will comprehensively promote Okinawa's development as a national strategy, including industrial promotion such as the industry-academia-government collaboration by the Okinawa Institute of Science and Technology Graduate University, the early realization of "GW2050 PROJECTS,"[47] the promotion of northern and remote island regions, working on measures against child poverty and working to realize their well-being.

We will advance Hokkaido development, which plays an important role in advancing the "Strategy for the Future of Regions." We will promote the maintenance and development of the production spaces supporting “food”, “tourism”, and “Zero Carbon Hokkaido”, the concentration of GX and AI/DX industries, and stabilizing and revitalizing the Region neighboring the Northern Territories as a whole. We will realize a society in which the pride of the Ainu people is respected, including the enhancement of Upopoy National Ainu Museum and Park.

We will work on measures for disadvantaged areas such as depopulated regions, remote islands, Amami, Ogasawara, peninsulas, and heavy snowfall areas.

(Making the Geographical Nation Sustainable and Vibrant and Resolving the "Traffic Vacuum")

To realize a sustainable and vibrant Japanese archipelago, we will deepen and develop the Compact Plus Network approach through the formation of regional living areas utilizing dual residency, and new wide-area zones, the strengthening of economic vitality and disaster risk reduction capabilities through “Urban Revitalization for the Reiwa Era”[48], as well as intercity cooperation across urban regions.

We will promote comprehensive infrastructure management. We will shift maintenance to preventive maintenance and advance visualization. We will link aging countermeasures with urban development and promote measures based on priority, consolidation and reorganization, and dispersion through new technologies. We will advance wide-area and cross-sectoral coordination and collaboration among entities supporting infrastructure management. We will advance Architectural and Urban DX and Geo-AI efforts toward the upgrading of urban development processes.

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[47] The PROJECTS are aimed at the integrated use of Naha Airport and the site of the future return of the base by Okinawa's business community and local governments.

[48] Act Partially Amending the Act on Special Measures Concerning Urban Renaissance and Other Acts (Act No. 23 of 2026).

We will comprehensively and integrally promote measures for vacant houses contributing to disaster prevention and other purposes, and measures for land with an unknown owner[49]. We will work on the formation, distribution, and utilization of high-quality real estate stock,[50] the maximization of housing stock value, and the rebuilding of foundations supporting housing life. We will comprehensively address matters including the dissemination and awareness-raising of interest rate risks of housing loans. We will advance the maintenance and recovery of sound water cycle and the effective utilization of water resources in river basins. We will promote the Integrated River Basin Management for All combining tangible and intangible measures, and work on the acceleration and deepening of basin flood control, drought countermeasures, water utilization such as power generation, and the conservation and creation of basin environments.

To break through mobility constraints that impede regional growth, with an eye to beyond the intensive countermeasures period,[51] we will deepen and accelerate efforts to resolve the "Traffic Vacuum" through the maximum utilization of regional transportation resources and other means, and work toward the early realization of an autonomous driving society and the resolution of the shortage of mobility through DX for regional transportation, regulatory reform, and other measures.[52]

As the foundation supporting growth investment, we will promote the early development and utilization of expressways, Shinkansen lines[53] and the Linear Chuo Shinkansen[54] that form the national axis, and urban railways, ports, airports, and other logistics and passenger flow networks, as well as measures to address traffic congestion, the strengthening of modal connections, and the maintenance and revitalization of aviation and maritime networks,[55] and work on the securing and development of personnel. Regarding Narita Airport, we will advance the functional enhancement, the development of road and railway access, the concentration of surrounding industries, and the development of export bases for agricultural, forestry, and fishery products across ministries and agencies. We will also advance other international airport access railways and the speedup of conventional lines, the deepening of considerations through case studies of basic plan routes of the Shinkansen, the reconstruction of local railways, the securing of financial resources for railway networks, the cashless conversion of buses, and the development and utilization of good cycling environments. We will accelerate the logistics efficiency improvement and decarbonization such as the promotion of new modal shifts by land, sea, and air, relay transportation, and the Autoflow Road.[56]

(Realizing a Sustainable Tourism Nation)

Toward the achievement of targets such as 60 million inbound visitors and 15 trillion yen in consumption by 2030, we will work on strategic inbound attraction, including the

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[49] Efforts based on the Basic Policy on Promotion of Measures for Land with an Unknown Owner (Decision at the relevant ministerial meeting to promote measures against land with an unknown owner, etc., on June 5, 2026), including cadastral surveys, preparing maps by the Legal Affairs Bureaus, and inheritance registration.
[50] Including the securing of real estate appraisers who support public land appraisals.
[51] FY2025 to FY2027.
[52] Act for Partial Amendment of the Act on Revitalization and Rehabilitation of Local Public Transportation (Act No. 35 of 2026) and the "Policy for Resolving the 'Traffic Vacuum' 2026" (decided by the Ministry of Land, Infrastructure, Transport and Tourism's Headquarters for Resolving the "Traffic Vacuum" on June 10, 2026).
[53] We will advance necessary surveys and other measures and work toward the early development of unstarted sections.
[54] In coordination with municipalities along the route, taking into account support through fiscal investment and loan programs toward the earliest possible full-line opening targeting 2037 at the earliest, we will provide necessary guidance and technical support toward the earliest possible full-line opening.
[55] Also taking into account the "Report of the Expert Council on the Future of Domestic Aviation" (May 29, 2026).
[56] "Comprehensive Logistics Policy Outline (FY2026 to FY2030)" (Cabinet Decision of March 31, 2026).

promotion of attracting visitors to rural areas, the expansion of domestic exchange and outbound travel, and the strengthening of the resilience of the tourism industry, including the accommodation industry. At the same time, we will strengthen overtourism countermeasures and work to achieve compatibility with ensuring the quality of life of residents.[57]

(Making Agriculture, Forestry, and Fisheries a Growth Sector Through Their Structural Transformation, and Strengthening Food Security)

Japan's economy is sustained by the stability of the lives of the people, and amid the anticipated rapid decline in the number of producers, we will work to strengthen food security so that the people can always secure safe and nutritionally good food, and to promote agriculture, forestry, and fisheries, which form the foundation of food security.

To expand domestic and overseas demand and strengthen supply capacity, we will promote investment in the agriculture, forestry, and fisheries fields. We will promote investment in food tech such as plant factories and land-based aquaculture boasting world-top-level technology and their expansion into domestic and overseas markets, the development and implementation of smart technologies and new cultivars, and the development of export production areas, and work to create and expand domestic and overseas demand for domestic agricultural, forestry, and fishery products and food, including rice, non-gluten rice flour, and Wagyu beef, through the strengthening of overseas distribution channel development frameworks with the government, working as one.

During the Agricultural Structural Transformation Intensive Countermeasures Period (FY2025 to FY2029), we will secure necessary and sufficient budgets in a separate framework through flexible and elastic responses, enhance and review measures, and, after securing the promotion framework for measures, including in local areas, concentrate and systematically advance the large-scale consolidation of farmland, detailed development in hilly and mountainous areas, and the reorganization, consolidation, and rationalization of jointly used facilities, thereby improving productivity. Based on the "Basic Plan for Food, Agriculture, and Rural Areas,"[58] we will establish a new paddy field policy from FY2027 to improve productivity by providing yield-based support payment regardless of whether the land is a paddy field or an upland field, and make revisions such as expanding the target farmland for direct payments in hilly and mountainous areas and other areas and taking a push-type approach to continue regional farming and joint activities. Together with the review of regional plans and the exercise of the functions of the farmland bank, the implementation of management stabilization measures, and other efforts, we will advance the securing of new farmers and corporations and other business farmers, and the full utilization of paddy fields and upland fields.

Furthermore, we will work on the promotion of land improvement, the rational price formation of food such as rice and vegetables, the promotion of food culture industries, the ensuring of food access, the promotion of Shokuiku (Food and Nutrition Education), livestock disease countermeasures, the acceleration of the MIDORI Strategy for Sustainable Food Systems, including climate change adaptation measures and stable supply measures for fertilizers, seed and seedling production measures, wildlife damage countermeasures, and the promotion of urban agriculture. We will work to create and increase the populations related to rural communities through the promotion of co-

[57] "Basic Plan for the Promotion of a Tourism Nation" (Cabinet Decision of March 27, 2026).
[58] Cabinet Decision of April 11, 2025.

creation between rural communities and regional companies and other stakeholders, and the promotion of SATOGYO, MORIGYO, and UMIGYO (projects that utilize the value and attractiveness of the local resources of rural areas and fishing communities).

Under the "Basic Plan for Forests and Forestry,"[59] aiming for a nation of forests and cities of wood, we will concentrate on the promotion of forest consolidation and boundary clarification, intensive road network development and reforestation in areas suitable for forestry, smart forestry, the development of diverse human resources and management entities,[60] supply chain resilience, and the expansion of the use of domestic timber and wood-based new materials, to promote the circular utilization of forests.

To strengthen the resilience of the fisheries industry, we will advance improvements in resource surveys and stock assessments, promoting cooperation among fishers, the transition to new fishing operation forms, the securing of management entities and labor, Smart Fisheries, the development of fishing ports and fishing grounds, the consolidation and functional strengthening of production-area markets, the promotion of processing and distribution, and the comprehensive and strategic development of aquaculture, including the development of seeds and feed.

(Promotion of Culture, Arts, and Sports)

We will make the power of culture and sports a powerful driving force for economic revitalization. Toward regional revitalization utilizing cultural resources and the passing on of cultural resources to the next generation, we will advance cultural and arts policy,[61] including preserving, repairing, and increasing the added value of cultural properties,[62] encouraging traditional events and performing arts, lifestyle culture such as food culture, the promotion of performing arts, including addressing the shortage of theaters in the Tokyo metropolitan area, the global expansion of ballet and other arts at the New National Theatre and other venues, and the strengthening of the functions of museums, theaters, and other facilities, as well as the preservation and inheritance of dialects and the revitalization of bookstores. We will advance digital archiving[63] to prevent the disappearance and dispersal of manga, live-action films, music, including records, and other content from the Meiji, Taisho, and Showa eras, which are the sources of current content, and pass them on to future generations. We will enhance opportunities for children and persons with disabilities to appreciate and experience culture and arts.

We will develop a base with the functions of the National Center for Media Arts (tentative name) through public-private collaboration and carry out the reconstruction of the National Theatre under the government's responsibility toward its reopening in FY2033. We will work toward the opening of the new building of the National Archives of Japan.

We will promote the development of creators through the process of production and dissemination and the development of related human resources, and fundamentally strengthen measures against piracy.

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[59] Cabinet Decision of June 5, 2026.
[60] Including owner-operated forestry.
[61] Including the promotion of the "Japan Cultural Expo," and the promotion of Japanese films and art, including international co-productions.
[62] Including the steady continuation of "the Artisans Projects for Cultural Properties" (decided by the Minister of Education, Culture, Sports, Science and Technology on December 24, 2021; revised on December 16, 2022), the development of the National Cultural Properties Repair Center and the construction of a staffing framework, the promotion of the development of the Takamatsuzuka Tumulus Mural Preservation, Management, and Exhibition Facility (tentative name), and the revitalization of Japan Heritage.
[63] For example, the National Diet Library is conducting digital archiving of publications, SP records, and other items, and the National Film Archive of Japan is conducting digital archiving of films.

Toward the construction of health infrastructure utilizing exercise and sports, we will support companies working on maintaining the health of employees and work to secure nearby exercise venues.

Toward growth in the industrialization of sports and the promotion of martial arts "BUDO"/ sports tourism, we will promote sports complexes, DX including the utilization of e-sports, and other measures. We will work on various support for attracting and hosting large-scale international competitions, improving international competitiveness and ensuring integrity, securing spectator opportunities, promoting parasports, and international exchange.

(4) Strengthening Human Capital and Full Participation of All People

By enabling every person across all generations to play an active and vibrant role, Japan will unleash the full potential of its people. We will work toward a society in which everyone can thrive without being disadvantaged by age, gender, the presence or absence of disability or illness, the generation into which they were born, the region in which they live, or their family circumstances.

(Human Capital Development and Ability Utilization)

To develop and secure a wide range of human resources, including those in the 17 strategic fields and essential fields, we will promote initiatives at the national and regional levels. We will advance human capital development in a seamless and integrated manner by linking education policy, industrial policy, employment policy, and other related policies. We will improve the quality of education, which forms the foundation of human development. Through collaboration among industry, academia, and government—including efforts to clarify the skills required and compensation, develop programs, reduce cost burdens, enhance information provision, strengthen university systems, and examine further improvements in the use of scholarships by working adults—we will expand reskilling opportunities. We will work to develop Advanced Essential Workers.[64] Through these measures, we will seek to improve compensation and productivity.

We will launch a "National Reskilling Movement for All Generations" to foster momentum for skill development and respect for technical expertise. At the same time, we will advance preparations for hosting the WorldSkills Competition 2028 in Japan and promote human capital development initiatives through collaboration among skilled workers, industry associations, and other stakeholders.

We will examine the appropriate approach to the employment insurance system under labor supply constraints, with a view to reaching conclusions by the end of 2026. To realize flexible and diverse work styles based on the premise of maintaining physical and mental health and respecting employees' choices, policy measures regarding working hours legislation and related matters will be discussed by the Labour Policy Council starting in the summer.[65]

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[64] Essential workers who earn higher wages than they currently do by utilizing digital technologies, etc.

[65] Excerpt from "Growth Strategy."

Regarding the discretionary work system, we will consider a review of the scope of its application, taking fully into account actual conditions on the ground and the perspectives of both labor and management, and premised on measures to prevent abuse, such as ensuring health, preventing long working hours, and ensuring appropriate treatment. Furthermore, regarding the variable working hours system, we will proceed with deliberations while paying attention to the reality that workplaces are not fully able to cope with external factors, as well as ensuring workers' personal time and predictability. Furthermore, we will proceed with discussions on the legal status of regulations on consecutive shifts and the system for intervals between shifts, the nature of the right to disconnect, ensuring workers' health when engaging in side jobs or concurrent employment, and the promotion of telework, all while fully taking into account actual conditions on the ground and the perspectives of both labor and management.

To enable national public employees to fully demonstrate their capabilities and fulfill their role in supporting the lives of the people and the national interest, we will broadly strengthen recruitment activities, improve the working environment to be on par with that of private-sector companies, strengthen management, upgrade personnel management functions, and improve working conditions, thereby making public service a career of choice.

(Full Participation of All People and Realization of a Society That Leaves No One Behind)

To enhance "job satisfaction" and "a comfortable work environment" for workers, including young people and women, we will vigorously advance initiatives based on relevant basic plans and other frameworks,[66] including addressing workplace employment management issues related to reducing the gender pay gap; promoting women's active engagement in "growth strategy" fields; supporting the balance between work and childcare, caregiving, and other responsibilities; addressing health issues based on sex differences; and eliminating entrenched gender role stereotypes and other barriers to women's empowerment. We will also support related measures and policies by local governments through the initiative of "Work Style and Workplace Reform in Regions" and other measures. Furthermore, to promote employment, better working conditions, and social participation for the employment ice age generation and others, we will implement the "New Support Program."[67]

In pursuit of a society that leaves no one behind, as a measure against loneliness and isolation, we will support NPOs and other organizations that, in accordance with the "Priority Plan," work on creating places of belonging and building connections with an emphasis on the perspective of "prevention."[68] We will also ensure the appropriate promotion of the new adult guardianship system and secure a regional rights advocacy support framework, while working on support for elderly persons without family support and others, support for persons in social withdrawal (hikikomori) and women facing difficult circumstances, promotion of a community-based inclusive society through the Self-Reliance Support System for Needy Persons and suicide prevention measures,[69] and measures to support the independence and social participation of persons with disabilities.[70] We will steadily advance the payment of compensation in accordance with

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Furthermore, regarding the implementation of working hour systems, based on the actual state of overtime work, we will strengthen collaboration with one-stop support centers and other entities regarding the conclusion of Article 36 Agreements and the utilization of flexible working-hour systems. We will promptly enhance consultation and support services provided by the Work Style Reform Promotion Support Center and Labor Standards Inspection Offices, and we will steadily implement the necessary systemic improvements starting in fiscal year 2027 and beyond. At the same time, Labor Standards Inspection Offices will promptly review their practices to ensure that guidance is provided in accordance with labor-management agreements regarding working hours and measures to safeguard workers' health, while continuing to respond strictly to serious and egregious cases.

To verify and confirm the policy effects of these measures after implementation, we will create formats for monitoring and data collection in advance and ensure thorough follow-up by the Ministry of Health, Labour and Welfare and its regional offices.

66 Based on relevant basic plans and other frameworks.

67 "New Support Program for the Employment Ice Age Generation and Others" (decided by the Ministerial Meeting on Support for the Employment Ice Age Generation and Others on April 10, 2026).

68 We will support NPOs and other organizations working on these measures.

69 Including suicide prevention measures.

70 Measures based on the "Action Plan Toward a Society of Coexistence Without Prejudice or Discrimination Against Persons with Disabilities" (Decision made by the Headquarters for Promoting Measures for Building an Inclusive Society Free from Prejudice and Discrimination against Persons with Disabilities on December 27, 2024), "Basic Programme for Persons with Disabilities (Fifth Term)" (decided by the Cabinet on March 14, 2023), Act on the Promotion of Measures concerning Sign Language (Act No. 78 of 2025) among others.

the Act on the Payment of Compensation, etc. to Persons Who Underwent Eugenic Surgery, etc. Under the Now-defunct Eugenic Protection Law.[71]

To address social challenges, we will work to support corporations engaging in specified non-profit activities through the Dormant Deposit Utilization System and other mechanisms, promote public interest activities by public interest corporations and trusts, and expand the use of PFS.[72]

2. Establishing Strong Diplomacy and Security

The free and open international order based on the rule of law is becoming increasingly fluid, while the security environment surrounding Japan is changing at an accelerating pace and growing more complex and serious, driven by China's further strengthening of its military capabilities, North Korea's continued nuclear and missile development, and other factors. The lessons of Russia's aggression against Ukraine and other conflicts have highlighted the importance of adapting to "new ways of warfare" and ensuring sustained operational capabilities. Security challenges in peacetime are also diversifying. The United States is calling on its allies to assume greater roles, and NATO member states, the Republic of Korea, Australia, and others have set targets[73] for increasing defense spending over the medium to long term, thereby strengthening their security-related efforts. In this context, Japan must, first and foremost, strengthen its diplomatic capabilities and proactively enhance its defense capabilities, while organically linking its diplomatic, defense, economic, technological, intelligence, and human resource capabilities to strengthen its comprehensive national power.[74]

(1) Strengthening Diplomatic Capabilities, Security, and Intelligence Capabilities

Based on the foregoing recognition, we will accelerate the examination of the new "National Security Strategy," "National Defense Strategy," and "Defense Buildup Program" (hereinafter referred to as the "Three Documents") and realize the transformation of defense capabilities within five years. In doing so, we will compile the expenses essential for protecting Japan's independence and peace to formulate the "Defense Buildup Program," and, together with securing the necessary financial resources for its implementation, provide careful and thorough explanations to the public. Beginning with maritime security capabilities, research and development, public infrastructure development, cybersecurity, international cooperation to enhance the deterrence of Japan and like-minded countries, and the strategic strengthening of the foundations supporting the lives of the people such as energy and food,[75] we will also clarify whole-of-government initiatives.[76] By accumulating these various efforts, we will

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[71] Compensation and a lump sum payment in accordance with the Act on the Payment of Compensation, etc. to Persons Who Underwent Eugenic Surgery, etc. Under the Now-defunct Eugenic Protection Law (Act No. 70 of 2024).
[72] Pay for Success.
[73] NATO member states have concurred on a target of core defense expenditure of 3.5% of GDP by 2035 (subject to review in 2029); the Republic of Korea has announced its intention to raise defense spending to 3.5% of GDP as soon as possible; and Australia has announced its intention to raise defense spending to 3% of GDP by FY2033.
[74] We will also examine the appropriate approach to policies in light of the coalition government agreement (October 20, 2025).
[75] Ministerial Council on Strategic Strengthening of Foundations Supporting the Lives of the People such as Energy and Food.
[76] We will continue to examine the treatment of crisis management investment and growth investment in fields of particular importance for economic security.

comprehensively strengthen deterrence and response capabilities to protect Japan into the future and ensure the fullest possible security of Japan. At the same time, we will continuously work to strengthen the economic, financial, and fiscal foundations that underpin security.

With regard to the FY2027 budget to be formulated based on the Three Documents to be revised this year, we will examine the matter in the budget formulation process and take necessary measures, as conclusions must be reached through discussions on the said documents.

(Strengthening Diplomatic Capabilities)

With diplomacy and defense as inseparable, we will pursue "Responsible Japanese Diplomacy creating Peace and Prosperity"[77] and fundamentally strengthen Japan's diplomatic capabilities, with a view to maintaining and strengthening a free and open international order based on the rule of law and steering a world of growing division and confrontation toward openness and cooperation. With the Japan-U.S. Alliance as the cornerstone, we will strengthen coordination with like-minded countries and organizations, including the G7, ASEAN, Australia, India, the Republic of Korea, the EU, and NATO, as well as with the Global South. We will also advance the updated "Free and Open Indo-Pacific (FOIP)" initiative. We will expand the scale of Official Security Assistance (OSA) and ODA that contributes to regional and economic security, thereby contributing to regional peace and stability.

In the area of economic diplomacy, we will work to maintain and strengthen a rules-based free trade system,[78] and build a "trusted economic zone." Regarding the CPTPP, while advancing domestic measures, we will promote the expansion of its membership as well as the upgrading of the agreement, strengthen coordination with external partners that share our values, and strengthen its implementation ability and functions. We will advance support for the overseas expansion of Japanese companies, including the overseas deployment of infrastructure systems,[79] in the Global South and other regions. Pursuant to the Japan-U.S. agreement on tariffs, we will take necessary measures for the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) to steadily implement the Japan-U.S. Strategic Investment Initiative.

Japan will continue support for Ukraine and sanctions against Russia. With regard to international cooperation, we will expand ODA in various forms, towards the implementation of programs such as Japan Overseas Cooperation Volunteers, addressing humanitarian crises and reconstruction needs, and resolving global challenges, including through coordination with international financial institutions. We will also work toward a world without nuclear weapons, strengthen the functions of the United Nations through Security Council reform and increasing the number of Japanese personnel, enhance cultural diplomacy, and strengthen peace mediation capacity. We will achieve the normalization of relations with North Korea, in accordance with the Japan-DPRK Pyongyang Declaration, through comprehensively resolving outstanding issues of

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[77] At the Japan-U.S. Summit Meeting on October 28, 2025, the two leaders confirmed that they would work closely together to vigorously advance a "Free and Open Indo-Pacific." They exchanged views on various issues surrounding China, confirmed their opposition to any unilateral attempts to change the status quo by force or coercion, confirmed that Japan and the United States would work closely together, and reaffirmed the importance of peace and stability in the Taiwan Strait.

[78] Including the promotion of EPAs and WTO reform.

[79] "Infrastructure System Overseas Promotion Strategy 2030" (Decision made at the Ministerial Meeting on Strategy relating to Infrastructure Export and Economic Cooperation on December 24, 2024).

concern such as the abductions, nuclear, and missile issues, as well as settlement of the unfortunate past. The government will fundamentally reinforce our diplomatic and consular infrastructure. While improving efficiency and streamlining operations, we will work to strengthen our human resource capacity and improve the resilience of overseas missions, among other objectives.

(Strengthening Security)

To achieve highly autonomous and resilient capabilities, we will transform defense capabilities within five years in terms of both equipment and organizational structure. We will adapt to "new ways of warfare" through the utilization of data and AI, the introduction of unmanned assets, and the strengthening of stand-off defense capabilities that can also be used for counterstrikes. With an eye to the intensifying competition for human resources, we will promote improvements of the treatment of Self-Defense Forces (SDF) personnel, including a revision of the compensation structure, and their long-term service, while examining the strengthening of support for retired SDF personnel and family members of SDF personnel, including the possible establishment of a new agency. We will also fundamentally strengthen the organizational structure of the Ministry of Defense.

We will strengthen efforts to ensure sustained operational capability, and to support this, we will examine government involvement through GOCO[80] and other means for critical equipment whose stable supply is difficult to secure, as well as strengthening spare production capacity premised on the utilization of commercial products and equipment transfers in peacetime, with a view to reviewing the Act on Enhancing Defense Production and Technology Bases.[81] In the area of equipment transfers, we will advance examination of government-led transfers,[82] financing, and accompanying support, as well as coordination with relevant agencies. We will further promote the utilization of startups, and by promoting research and development that supports defense capabilities through the development of defense research infrastructure at national research and development agencies and universities, we will rapidly incorporate cutting-edge technologies. To promote these efforts in an integrated manner, we will proceed with discussions on establishing a dedicated agency with guaranteed government involvement.

We will enhance the deterrence and response capabilities of the Japan-U.S. Alliance and strengthen coordination with like-minded countries and others in a more effective and practical manner. We will promote the realignment of U.S. Forces in Japan and other base-related measures to gain the understanding of local communities.

At the same time, we will advance the augmentation and replacement of Japan Coast Guard patrol vessels and other assets, securing of operating costs, strengthening of information and communications functions, promotion of the utilization of new technologies such as unmanned aircraft and unmanned surface vessels, collaboration with domestic and overseas relevant agencies, and recruiting human resources and improving the treatment of personnel.

In addition to securing a variety of shelters in accordance with the "Shelter Policy,"[83] the government will strengthen the framework for civil protection by conducting civil

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[80] Government-Owned, Contractor-Operated.
[81] Act on Strengthening the Foundations for the Development and Production of Defense Equipment and Other Items Procured by the Ministry of Defense (Act No. 54 of 2023).
[82] Including securing independent revenue at the time of transfer.
[83] "Basic Policy on Securing Evacuation Facilities (Shelters) in Preparation for Emergencies" (Cabinet Decision of March 31, 2026).

protection drills related to the evacuation of residents of the Sakishima Islands and developing basic guidelines for their reception.

To strengthen space security, we will work on the construction of satellite constellations and other measures.

We will develop the necessary systems for the steady implementation of the Cyber Response Capability Strengthening Act[84] and the Necessary Arrangement of Relevant Acts[85] and examine approaches to information collection and response in cyberspace from the perspective of national security. In light of advances in AI capabilities, we will strengthen the government's information security framework. We will advance the deployment of a cloud service equipped with information security and confidentiality controls necessary for handling highly classified information while ensuring the government’s autonomous operation and management. To this end, we will reach certain conclusions on the optimal procurement methods and other matters by the end of 2026. We will examine necessary measures based on discussions related to the revision of the National Security Strategy.

(Strengthening Intelligence Capabilities)

Amid the most severe and complex security environment since the end of World War II, we will fundamentally strengthen intelligence functions that support the maintenance of a healthy democracy, smooth government decision-making, and external communications.

To strengthen information collection and analysis capabilities in conjunction with the establishment of the National Intelligence Council and the National Intelligence Bureau, we will promote the enhancement and strengthening of foreign information collection functions, the development of information and communications infrastructure utilizing AI and other technologies, and human resource development, while as swiftly as possible strengthening the structures of relevant ministries and agencies that support these activities, including structures for human intelligence collection. We will advance consideration of the most effective organizational structure for collecting foreign intelligence. We will steadily increase the number of information gathering satellites to further expand and strengthen their capabilities.

We will strengthen capabilities for collecting and analyzing information on foreign influence operations, including the spread of disinformation, which threaten the foundations of democracy such as electoral integrity and freedom of the press.

Also, in response to cognitive warfare, we will fundamentally strengthen multilingual dissemination of accurate information and effective and strategic communications in coordination with domestic and international experts and leading think tanks. We will fundamentally strengthen research and domestic and international information dissemination, related to the recognition of history and territory/sovereignty.

(2) Strengthening Economic Security

Economic security is inextricably linked to Japan’s crisis management and growth investments. We will boldly advance the "Growth Strategy" and ensure economic security.

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[84] Act on Prevention of Damage Caused by Unauthorized Acts against Critical Computers (Act No. 42 of 2025) and the Act on the Maintenance of Related Acts Accompanying the Enforcement of the Act on Prevention of Damage Caused by Unauthorized Acts against Critical Computers (Act No. 43 of 2025).

[85] A framework will be established in which the Cabinet Secretariat, the Cabinet Office, the police, the Ministry of Defense, and the Self-Defense Forces “as a trinity” perform core functions.

In addition, to ensure the security of the state and its people from an economic perspective, we will work to enhance the autonomy of Japan's economy and society, secure advantage and indispensability, and maintain and strengthen the international order. To this end, we will strengthen the whole-of-government promotion framework with the National Security Secretariat as the command tower.

Taking into account all potential situations of concern from an economic security perspective, we will conduct a comprehensive risk review adopting a holistic approach covering essential goods and supplies for sustaining the daily lives of the people and industrial activities, including energy, food, pharmaceuticals, medical devices, and daily necessities, as well as social infrastructure, including logistics such as maritime transport, and we will take measures to address any vulnerabilities identified by the review. To strengthen the resilience of Japan's supply chains and manufacturing base across the entire value chain from upstream to downstream, we will expand the scope of support to include critical foundational goods including general-purpose products, materials and components supporting goods whose importance will further increase in the future, and resource recycling, while advancing comprehensive efforts. For areas where a stable supply cannot be secured if left to economic rationality, we will consider measures to provide further government support.

Based on the amended Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures and the Japan Bank for International Cooperation Act,[86] we will work to ensure the stable supply of critical goods, including support for services indispensable to the supply of these goods, and to support overseas projects important for economic security (OESA[87]). Considering that OESA is important for leading the maintenance and strengthening of the international order, we will work to strengthen JBIC, including by securing its financial base and specialized human resources. We will advance the securing of human resources and the development of an enabling environment, with the aim of building a comprehensive economic security think tank function by the end of FY2026. We will advance institutional design to strengthen the "Key and Advanced Technology R&D through Cross Community Collaboration Program" to promote research and development of specified critical technologies,[88] and promote international joint research.

We will aim for the early submission of a bill related to the protection of sensitive personal data important for security and take necessary measures to ensure the security of data centers and cloud services. In light of advances in AI capabilities, we will strengthen the cybersecurity of critical infrastructure operators and others and improve the ability of vendors to detect and respond to software vulnerabilities at an early stage.

To strengthen responses to economic security risks, including the leakage of sensitive technologies, we will upgrade investment screening under the amended Foreign Exchange and Foreign Trade Act[89], including by fundamentally strengthening the inter-ministerial screening framework through the Japan Foreign Investment Committee (JFIC). We will take institutional measures to strengthen the management of technologies important to economic security. We will strengthen research security and integrity and

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[86] Act for Partial Amendment of the Act on the Promotion of Ensuring National Security Through Integrated Implementation of Economic Measures and the Japan Bank for International Cooperation Act (Act No. 38 of 2026).
[87] Overseas Economic Security Arrangement.
[88] Advanced critical technologies that involve a risk of impairing security of the nation and its citizens, if an outside party inappropriately uses such technologies or sensitive information used for R&D activities; or if disruptive action is taken from outside Japan (Article 61 of the Act on the Promotion of Ensuring National Security Through Integrated Implementation of Economic Measures (Act No. 43 of 2022)).
[89] Foreign Exchange and Foreign Trade Act.

enhance the screening for the entry of international students and researchers. We will strengthen responses to economic coercion and various sanctions. We will work to enhance export control, and to improve the effectiveness of trade remedy measures, we will enhance the anti-dumping duty system, including measures to prevent circumvention and expedite procedures, and strengthen investigation frameworks.

3. Ensuring the Safety and Security of the People

(1) Promoting Disaster Risk Reduction, Mitigation, and National Resilience

(Reiwa-Era National Resilience Measures and Promotion of Disaster Risk Reduction Measures)

We will implement Reiwa-era national resilience measures to protect the lives and property of present and future generations from crises such as increasingly severe and frequent natural disasters and aging infrastructure, and to underpin a strong economy.

Based on the basic policies set forth in the "Basic Plan for National Resilience,"[90] we will advance measures based on the "National Resilience Implementation Medium-Term Plan"[91] and the "National Resilience Annual Plan 2026"[92] utilizing the '"Strong and Prosperous Japan" Investment Framework,' and strengthen both tangible and intangible countermeasures by leveraging technology.

We will establish the National Disaster Management Agency to strengthen the whole-of-government control tower function, from thorough disaster risk reduction to recovery and reconstruction following a disaster. The Regional Disaster Management Bureau to be established concurrently will support the improvement of regional disaster resilience. We will also strengthen the disaster resilience of businesses and communities by, among other measures, utilizing disaster risk assessments through simulations.

We will advance the enhancement and strengthening of the national disaster support framework and functions, including those of regional branch offices, through measures such as examining the securing and development of human resources in the disaster management field, including improvements in the treatment of emergency assembly personnel to ensure a swift initial response, and developing housing for crisis management. We will promote the development of a framework for providing medical care utilizing vessels. We will enhance the disaster waste disposal framework.

We will promote countermeasures against a Chishima Trench earthquake, a Japan Trench earthquake, a Tokyo inland earthquake, and a Nankai Trough earthquake. We will also advance countermeasures against volcanic disasters such as a possible eruption of Mount Fuji, and work on research and surveys at the Headquarters for Volcano Research Promotion, as well as the securing and development of human resources.

Through satellite and AI technologies, we will promote DX in firefighting and disaster risk reduction and advance the sophistication of disaster risk reduction meteorological information. We will enhance and strengthen firefighting and disaster management

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[90] Cabinet Decision of July 28, 2023.
[91] "First National Resilience Implementation Medium-Term Plan" (Cabinet Decision of June 6, 2025). Includes the elimination of missing links in expressway networks, undergrounding of utility poles, countermeasures against heavy snowfall, and other measures.
[92] Decided by the Headquarters for Promoting National Resilience on July 3, 2026. This also takes into account the fact that the FY2026 ruling party tax reform outline states that conclusions on securing financial resources for the abolition of the so-called provisional gasoline tax rate will be reached in the FY2027 tax reform, while also giving due attention to the importance of road-related infrastructure maintenance.

capabilities, including responses to forest fires. We will promote research and development of disaster risk reduction technologies and the development and overseas expansion of the disaster risk reduction industry by leveraging crisis management investment and growth investment.

We will strengthen the support framework for disaster victims and fundamentally improve the living environment in evacuation shelters. We will advance the securing of personnel through public-private partnerships and the development and operational framework for goods and equipment. We will also work on mental health care for disaster victims, strengthening the disaster resilience of evacuation shelters and other facilities, and ensuring their functionality in emergencies.

Behavioral change through the transmission of disaster lessons and Phase Free[93] initiatives are important for disaster prevention and mitigation. We will promote disaster prevention education and practical awareness-raising activities.

To enable the government to maintain necessary decision-making functions even in the event of a large-scale disaster such as a Tokyo inland earthquake, and to appropriately address various challenges during disasters, including economic security risks, we will advance the development of an environment to strengthen the disaster risk reduction capabilities of government alternative sites and the central government district of the capital. In doing so, we will maximize the utilization of private funds and private-sector vitality through public-private partnerships and regulatory reform, so as not to incur new fiscal burdens.

(Development of Sub-Capital and Other Facilities)

From the perspective of ensuring the continuity of national and social functions and forming a multi-polar and decentralized economic zone, we will advance efforts to develop alternative regions for central government functions and a sub-capital, premised on the enactment of the relevant legislation.[94] We will also develop policies that contribute to economic growth while utilizing various systems, including regulatory reform.

(2) Response to the Great East Japan Earthquake and the Noto Peninsula Earthquake

(Reconstruction and Revitalization from the Great East Japan Earthquake and the Accident at TEPCO's Fukushima Daiichi Nuclear Power Station)

Without the reconstruction of Fukushima, there can be no reconstruction of Tohoku; and without the reconstruction of Tohoku, there can be no revitalization of Japan. Based on the "Basic Guidelines for Reconstruction from the Great East Japan Earthquake,"[95] we will work to address various challenges with the strong determination to resolve them no matter what, first and foremost within the next five years.[96] The government will play a leading role in promoting the reconstruction and revitalization of areas affected by the nuclear disaster. Toward the restoration from the nuclear accident, we will also develop and demonstrate AI and robotics technologies and proceed with the decommissioning safely and steadily. At the same time, we will work to lift import restrictions, support the fisheries industry, and address adverse impacts on reputation and disinformation. With

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[93] An approach that seeks to eliminate the boundary between normal times and times of disaster by enhancing living conditions in everyday life, thereby making living environments more comfortable even during emergencies.
[94] Bill for the Promotion of Measures to Ensure the Continuity of National and Social Functions and Measures Related to the Development of a Sub-Capital.
[95] "Basic Guidelines for Reconstruction from the Great East Japan Earthquake After the Second Term Reconstruction and Revitalization Period" (Cabinet Decision on June 20, 2025).
[96] “The Third Term Reconstruction and Revitalization Period" from FY2026 to FY2030.

regard to removed soil and other materials, we will promote the utilization of removed soil for reconstruction and revitalization through fostering understanding and will concretize the roadmap for final disposal outside Fukushima Prefecture from 2030 onward. To promote the return and resettlement of residents, we will proceed with decontamination and infrastructure development in the Specified Living Areas for Returnees, the resumption of forest management and consideration of the easing restrictions on activities in the Restricted Areas, and work to rebuild lives and livelihoods through the resumption of farming and other activities. We will advance the initiatives of the Fukushima Innovation Coast Framework and the Fukushima Institute for Research, Education and Innovation (F-REI) in coordination with the "Strategy for the Future of Regions" and other frameworks, to promote industrial development. We will respond to issues such as mental health care in earthquake and tsunami-affected areas, by government-wide policies.

(Recovery and Reconstruction from the Noto Peninsula Earthquake)

We must achieve creative reconstruction from the 2024 Noto Peninsula Earthquake and heavy-rain disasters. We will promote the recovery and development of infrastructure, the development of public housing for disaster victims, reconstruction town development, the rebuilding of the lives and livelihoods of disaster victims, the revival and promotion of local and traditional industries, and the acceleration of cadastral surveys and preparing maps by the Legal Affairs Bureaus.

(3) Ensuring Public Safety and Security

(Crime Countermeasures and Victim Support)

To maintain good public safety, we will strengthen efforts to prevent and address crimes abusing new technologies and CBRNE terrorism[97] and other threats,[98] advance the "Comprehensive Measures to Protect People from Fraud 2.0"[99] aimed at eradicating *Tokuryu* [100] criminal groups, and strengthen anti-stalking measures, illicit drug countermeasures, gold smuggling and cash courier [101] countermeasures, the development of systems for the police, customs, regional narcotics control departments, and prosecutors, and efforts to promote the installation of additional security cameras. In response to anti-money laundering measures and economic security concerns, we will urgently advance legislation, including the registration system for beneficial ownership information of legal persons.[102]

To realize a safe and secure society, we will work on recidivism prevention, including support for volunteer probation officers,[103] enhancement of access to justice,[104] judicial

[97] A collective term for terrorism using Chemical, Biological, Radiological, Nuclear, and Explosive materials.
[98] Including the enhancement of equipment and materials for the police, fire departments, Self-Defense Forces, and others, and the strengthening of manufacturing frameworks and stockpiling of crisis response pharmaceuticals.
[99] Decision of the Ministerial Meeting Concerning Measures against Crime, dated April 22, 2025.
[100] An abbreviation for anonymous and fluid criminal groups.
[101] The carrying out of or bringing into the country of cash and other items suspected of being criminal proceeds.
[102] Measures in anticipation of the FATF (Financial Action Task Force) Fifth Mutual Evaluation of Japan in the summer of 2028.
[103] Including the enhancement of support for offender rehabilitation facilities (halfway houses), strengthening of employment support for persons who have committed crimes, and strengthening of coordination with local governments.
[104] Including the enhancement of comprehensive legal support, development of regional judicial human resources and facilities, and securing high-quality legal professionals, including necessary support for expanding the scope of activities of young and mid-career legal professionals engaged in public-interest activities.

DX, Justice Affairs Diplomacy,[105] appropriate operation of the retrial system reflecting lessons from the past, support for crime victims, etc. and traffic safety measures.

(Ensuring Safe and Secure Lives and Responding to Environmental Risks and Climate Change Adaptation)

We will advance responses in line with social changes such as countermeasures against fraudulent commercial practices, ensuring food safety, and the expansion of digital transactions. We will continuously strengthen local consumer administration and promote food loss and waste reduction and consumer education.

To protect healthy and secure lives, we will ensure full readiness for the next infectious disease crisis and promote research and development and securing of pharmaceuticals and medical devices, research on post-COVID-19 condition and adverse reactions to vaccines, and countermeasures against zoonotic diseases through the One Health[106] approach, also utilizing strategic investments that enhance resilience against potential crises and investments that promote growth.

To enhance the sustainability of society and the economy, we will work on the social implementation of climate change adaptation measures, such as heat illness countermeasures, and biodiversity conservation through the realization of nature-positivity, and advance responses to risks related to living environments, natural environments, and livelihoods, such as bear damage,[107] invasive alien species, pollen allergy, PFAS,[108] and soil contamination.

(4) Promoting Foreign National Policy

Based on the "Comprehensive Measures for Acceptance of Foreign Nationals and Well-Ordered and Harmonious Coexistence,"[109] we will resolutely address illegal acts and other problematic conduct by some foreign nationals that deviate from rules, and further advance efforts to address the concerns and sense of unfairness among the people. While maximizing the utilization of financial resources secured through the revision of residence permit fees and fee revenues generated by the introduction of the Japan Electronic System for Travel Authorization (JESTA), we will comprehensively and vigorously advance foreign national policy by taking necessary measures unconstrained by conventional thinking.

In light of the purpose of the fee increases, we will, as a priority, fundamentally strengthen the human and material framework of the Immigration Services Agency, advance preparations for the introduction of JESTA during FY2028 and the expediting and sophisticating of screening through the advancement of DX, and vigorously advance the "Zero Illegal Foreign Residents Plan"[110] to further improve the proper management of immigration and residence. We will develop the necessary framework for the smooth implementation of the Employment for Skill Development Program and countermeasures

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[105] Including through legal technical assistance.
[106] The concept of stakeholders working together in a cross-sectoral manner to address challenges related to human and animal health and the environment.
[107] Based on the "Bear Damage Countermeasures Roadmap" (decided by the Interministerial Meeting on Bear Damage Countermeasures on March 27, 2026) and other frameworks, we will continue to work on emergency responses when bears appear, prevention of bears appearing in human living areas, and strengthening of population management.
[108] A collective term for perfluoroalkyl and polyfluoroalkyl substances.
[109] Decided by the Ministerial Council on the Realization of a Society for the Acceptance of Foreign Nationals and Orderly Coexistence on January 23, 2026.
[110] "Zero Illegal Foreign Residents Plan: Enhanced Promotion Package" (published on May 22, 2026).

against illegal employment. We will thoroughly ensure the proper operation of various types of private lodging services.

At the same time, to enable foreign nationals to act responsibly as members of Japanese society, we will strengthen education in the Japanese language and Japan's systems and rules, and, under national leadership and in coordination with local governments and others, enhance necessary measures as appropriate, including efforts toward the establishment of a "Japanese Language and Life Learning Program (tentative name)," the nationwide rollout of pre-classes and other programs, and efforts to improve the treatment of nationally registered Japanese language teachers, as well as the development of frameworks in communities and schools.

We will commence discussions at an expert council on the basic framework of accepting foreign nationals and compile a basic policy by the end of FY2026.

From the perspective of security and other considerations, we will formulate the framework of rules on land acquisition by foreign nationals by the summer of 2026 and strengthen the enforcement framework of the Important Land Review Act,[111] which provides for review and regulations on the use of land and other properties. We will consider, including through legislative measures, mechanisms to ensure the proper conservation and utilization of groundwater, and systems for strengthening the collection of information on and supervision of land acquisition and use.

[111] Act on the Review and Regulation of the Use of Real Estate Important Facilities and on Remote Territorial Islands (Act No. 84 of 2021).

Chapter 3 "Medium- to Long-Term Economic and Fiscal Plan" Based on Responsible and Proactive Public Finances

1. Achieving "Fiscal Sustainability" and Building a “Strong Economy”

(The Target Economic and Fiscal Vision to Be Achieved Through the Expansion of Investment and Other Measures under the "Growth Strategy")

To raise the stagnant potential growth rate, it is necessary to sever the trends of excessive austerity and underinvestment in the future, both of which have persisted for many years indeed. We will strengthen supply capacity through expanded private investment in a way that leads to an expansion of economic scale and the strengthening of the tax revenue base, thereby achieving a "strong economy" and "fiscal sustainability" in an integrated manner.

To strengthen supply capacity, with vigorously promoting the "Growth Strategy" centered on strategic investments that enhance resilience against potential crises and investments that promote growth, the government will also take the lead and advance achieving public-private investment and specifying the creation of an investment environment. In addition, we will implement various policy packages in close mutual coordination, including the “Strategy for the Future of Regions” for building strong regional economies, taking advantage of the growth potential of our local regions and building new industrial infrastructure.

Under the concept of "a country that never takes on challenges has no future," we will overcome the extensions and constraints of conventional policies and fundamentally reform our approach to national budget formulation to attract truly effective policies based on new ideas and perspectives including those from the private sector. By promoting strategic investments that enhance resilience against potential crises and investments that promote growth based on the Public-Private Investment Roadmap, cumulative public-private investment for 62 major products and technologies of more than 370 trillion yen is projected through FY2040. The projections indicate that, if in addition to such public-private investment, sizeable benefits of the “Growth Strategy” stemming from investment in R&D and greater efficiency in the allocation of productive resources materialize, economic growth with GDP approaching 1,100 trillion yen can be achieved by FY2040, and that under a certain level of additional government spending, the debt-to-GDP ratio declines in a broadly stable manner, and both "economic growth" and "fiscal sustainability" can be achieved.[112] We will aim to achieve this economic and fiscal vision, and under the achievement of the price stability target of 2%, establish economic growth exceeding 1% in real terms and 3% in nominal terms as early as possible, and raise it further.

To this end, we will revamp the "Economic and Fiscal Plan for New Stage", establish this chapter as the "Medium- to Long-Term Economic and Fiscal Plan" based on responsible and proactive public finances, and work toward the achievement of the target economic and fiscal vision. This plan sets the planning period from FY2027 to FY2040, and presents, in an integrated manner, a new fiscal management framework, including setting fiscal management targets; shifting to budget formulation suitable for

[112] "Medium- to Long-Term Economic and Fiscal Projections under Japan's Growth Strategy" (Cabinet Office, June 24, 2026). Regarding fiscal spending, not as a budget ceiling but as one projection, it assumes that fiscal spending necessary for economic growth will be made, in addition to spending under the separately managed budget framework with secured financial resources, with an additional 10 trillion yen in real terms spent each fiscal year.

strengthening economic growth potential and expanding the nominal size of the economy; establishing the ‘“Strong and Prosperous Japan” Investment Framework’; budget formulation practices, including moving away from dependence on supplementary budgets and reviewing funds and multi-year budgetary measures; and securing market confidence through enhanced analysis and verification.

(Setting Fiscal Management Targets)

The fiscal management targets under this plan will be grounded in the concept of "responsible and proactive public finances," and from the perspective of balancing a “strong economy” with “fiscal sustainability”, the core target is to steadily reduce the gross debt-to-GDP ratio of the central and local governments. This is an indicator showing the relationship between the debt shouldered by the government and the economic scale of the nation, which serves as the source generating the tax revenues funding the repayment of the debt, and assessing fiscal management based on the fiscal balance, calculated by adding net interest payments to the primary balance (PB).

The PB will be used as an indicator to monitor progress toward reducing the debt-to-GDP ratio and managing it in a manner consistent with a steady downward trend over multiple years. Rather than mechanically chasing a single fiscal year target date for achieving a primary surplus, we will improve and manage the PB toward steady reducing the debt-to-GDP ratio, while allowing temporary setbacks in line with business cycle fluctuations and the necessity for strategic investments that enhance resilience against potential crises and investments that promote growth, based on the trends in economic and interest rate conditions and revenues and expenditures.

The government will analyze the contributions of the PB, GDP, net interest payments, the overall fiscal balance, and other factors to changes in debt-to-GDP ratio, while continuing efforts to ensure fiscal sustainability.

In addition, in future budget formulation, while advancing reviews of both expenditure and revenue with assessing trends in tax revenues and other factors, we will scrutinize the fiscal scale that is viable while steadily reducing the debt-to-GDP ratio, and specify the annual issuance amount of government bonds, as well as paying attention to securing market confidence.[113]

(Shifting to Budget Formulation Suitable for Strengthening Economic Growth Potential and Expanding the Nominal Size of the Economy)

Under the "responsible and proactive public finances," we will shift budget formulation from the uniformly austerity-oriented approach of the deflation and low-growth era to an approach that accurately reflects price and wage increases and is suitable for enhancing economic growth potential and expanding the nominal size of the economy. To this end, we will reliably respond to unavoidable fiscal demands through measures such as further advancing an accurate reflection of economic and price trends, as achieved in the FY2026 initial budget.[114]

In doing so, we will ensure full price pass-through in government procurement, and, regarding to government-set prices such as those for medical care, long-term care, childcare, and social welfare, we will advance necessary measures to secure personnel

[113] The fiscal scale will be managed flexibly in a manner consistent with the medium-term debt trajectory. The annual issuance amount of government bond for FY2027 will be considered during the budget formulation process, while keeping a watchful eye on trends in tax revenue and other factors, based on factors including the "Medium- to Long-Term Economic and Fiscal Projections under Japan's Growth Strategy", as well as paying attention to securing market confidence.

[114] Including the FY2026 Fiscal Plan of Local Governments.

in the field, stable business management, and ensure the quality of services. At the same time, we will advance necessary review and revision of various benchmark amounts and thresholds in the budget and tax system, taking into account price and wage increases and changes in the economic and social environment.

The total scale of government outlays will be suitable for strengthening economic growth potential and for expanding the nominal size of the economy, taking into account consistency with prices and wages, the nominal size of the economy, projected revenue, policy effects, and fiscal targets. Moreover, benchmarks of expenditures will not serve as across-the-board spending caps, but serve as a framework for achieving disciplined resource allocation that draws a sharp distinction between expenditures to be increased and those needing review, in the context of ongoing efforts to reform expenditures across the entire budget.

To this end, we will conduct the review and revision of special tax measures and subsidies,[115] reassess policy priorities, and boldly prioritize. We will strengthen strategic investments that enhance resilience against potential crises and investments that promote growth, and, in the budget formulation process, carefully examine contributions to growth and private investment-inducing outcomes, thereby transforming Japan's budget into one that contributes to strengthening growth potential.

Regarding social security-related expenses, we will continue reforms of benefits and burdens under the policy of halting and reversing increases in premium rates for the working-age generation, taking into account not only national government spending but also total benefit expenditures, the portions covered by public funding and by insurance premiums, and the disposable income of the working generation. Regarding non-social security-related expenses, while appropriately reflecting higher prices and rising wages, we will thoroughly review existing programs and prioritize areas with high policy effects on the basis of PDCA and evidence-based policymaking (EBPM), in light of the above-mentioned policies.

(Establishing the '"Strong and Prosperous Japan" Investment Framework')

To enable the implementation of measures with predictability that contribute to raising the potential growth rate through domestic investment, including strategic investments that enhance resilience against potential crises and investments that promote growth, we will establish a '"Strong and Prosperous Japan" Investment Framework' that can be implemented separate from regular expenditures. Based on the "Growth Strategy" and the "Strategy for the Future of Regions", measures that are highly effective in significantly boosting domestic private-sector capital investment and the potential growth rate are eligible, as indicated in the form of initiatives set out in the Public-Private Investment Roadmap and efforts to address cross-sectoral challenges. To increase predictability and support continuous efforts, measures will generally be based on multi-fiscal year plans.

To enable the incorporation of truly effective investment support measures regardless of the previous fiscal year's budget allocation, we will not impose predetermined request limits (known as ceiling), allow appropriate amount to be requested, including through item-based requests, and establish a mechanism which such requests can be effectively translated into budget allocations during the budget formulation process.

Through this, we will ensure the scale and duration necessary for the steady implementation of the Public-Private Investment Roadmap, attract private investment,

[115] In conducting reviews, each ministry and agency shall reflect self-assessments in budget requests, and the content of reviews shall be examined in the budget formulation process before being concretized.

and contribute to strengthening supply capacity and the tax revenue base. At the same time, we will view the entire strategic field as one portfolio and utilize budgetary resources effectively in response to changing circumstances.

As for the scale of the '"Strong and Prosperous Japan" Investment Framework,' we will secure a necessary and sufficient investment scale while achieving fiscal sustainability.[116] Among these, investments in areas of particular importance for economic security and other areas will be managed separately through a special account after securing funding over multiple fiscal years, through the issuance of government bridge bonds backed by repayment funds.[117]

(Moving Away from Dependence on Supplementary Budgets, and Reviewing Funds and Multi-Year Budgetary Measures)

We will abandon fiscal management which depends on supplementary budgets responding to ongoing large-scale general economic measures and limit supplementary budgets to items of high urgency and provide for permanent programs in initial budgets. We will clarify the distinction between supplementary budgets and the initial budget and reflect this distinction in the revised Basic Principles of Budget Formulation, which will be established by the end of 2026. The current supplementary budget allocates the funds needed to ensure that, against a backdrop of uncertainty regarding the Middle East situation, economic activity and people's daily lives are not negatively impacted, while also giving due consideration to the amount of government bonds issued into the market. From this autumn, even if supplementary budgets become necessary, we will limit them to items of genuinely high urgency.

We will review funds and multi-year budgetary measures from the perspective of achieving both the predictability necessary for long-term investment and flexible and efficient fund management. With regard to funds, in conjunction with shifting away from fiscal management reliant on supplementary budgets, we will enable the implementation of measures that contribute to raising the potential growth rate through domestic investment with predictability. Through maintaining rigorous performance management, including by checking, at regular intervals, the progress of projects and the extent to which policy effects have materialized, and on the premise that while strengthening governance through improving fund efficiency and enhancing the transparency and appropriateness of fund management and maximizing the effectiveness and efficiency of investment outcomes, we will specify a fundamental review of fund rules for the FY2027 budget formulation, including the possibility of exempting such funds from the current rule that "budgetary appropriations should, in principle, be limited to a period of no more than three years," so that budgetary measures are not constrained by uniform and mechanical time limits.

For long-term investments of national strategic importance and other matters requiring stable support over multiple years, we will utilize appropriate means according to the nature of the investment, such as funds, multi-year contracts through government debt obligations, Fiscal Investment and Loan Program, and capital contributions, while

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[116] Financial resources will be addressed in line with scrutinizing the fiscal scale that is viable while steadily reducing the debt-to-GDP ratio, as described in the above section (Setting Fiscal Management Targets).

[117] Following GX and AI / semiconductors, with sufficient funding secured over multiple fiscal years, these will be managed under a separate special account. When financial resources for multiple years are secured centered on additional non-tax revenues, it will be possible to issue bridge bonds backed by dedicated redemption resources, thereby enabling the advance procurement of necessary funds. In the case of programs whose advance funding is made possible through the issuance of bonds issued as bridging finance, both expenditures and financing will be excluded and managed separately when considering indicators such as the debt-to-GDP ratio and the primary balance.

strengthening governance. This will promote medium- to long-term investment, research and development, and the fostering of human resources by companies, universities, research institutions, and local governments.

(Securing Market Confidence and Enhancing Analysis and Verification)

To ensure market confidence through enhanced communication, we will provide transparent and consistent explanations to the public and domestic and overseas market participants regarding fiscal management, including the reviews described above. We will also present the future economic and fiscal vision, the risks assumed, necessary policy responses, and other factors that serve as the premises for fiscal management.

To ensure market confidence, we will conduct multifaceted analysis and verification of both economic trends, including economic growth, interest rates, and sectoral balances, and fiscal indicators, including the debt-to-GDP ratio, the PB, the overall fiscal balance, interest payments, the degree of reliance on government borrowing, the amount of issued government bonds, and tax revenues.

When estimating the future economic and fiscal vision, we will leverage the expertise of external experts, conduct analysis based on a wide range of possibilities to prepare for uncertainties surrounding economic, price, and interest rate trends and policy effects, and utilize the results for the review of economic and fiscal management.

2. Building a Social Security System for All Generations

(1) Promoting the Integrated Reform of Social Security and Taxation System

(Tax Reform)

To realize a "strong economy," while giving full consideration to fiscal sustainability, we will advance comprehensive examination toward the concretization of a desirable tax system that responds to structural changes in the economy and society such as the declining birthrate, aging population, and globalization, under "responsible and proactive public finances."

From the perspective of building a tax system befitting a digital society, developing the tax payment environment, and realizing appropriate and equitable taxation, we will strengthen efforts on both the institutional and enforcement fronts, and seek to respond to new international taxation rules.

(Refundable Tax Credits and Their Transitional Measures)

With regard to refundable tax credits and their transitional measures (including the consumption tax rate on food and beverages), we will determine the policy by early August of this year, taking into account the forthcoming interim report of the National Conference for Social Security Reform.

(2) A Sustainable Social Security System Suited to a Growth Economy

In a "strong economy," prices and wages will rise through economic growth. Japan's social security system must also be redesigned for sustainability in line with a growth economy.

By building a social security system for all generations that maintains universal health insurance and pension coverage, ensures equitable burden-sharing according to ability regardless of age, and provides necessary services appropriately to those who need

them, we will protect the lives, health, and livelihoods of the people and develop a foundation on which everyone can work, thrive, and take on challenges with peace of mind. We will aim for a social security system that rewards work, responding to the diversification of working styles and the increasing participation of women and elderly people in the workforce. We will provide information to the public, including young people, in an easily understandable manner on the future vision of a social security system for all generations, including an overview of benefits and burdens.

Based on the specific framework agreed upon[118] for the 13 social security reform items included in the coalition government agreement (October 20, 2025), we will develop specific institutional designs by the end of FY2026 and implement them in sequence.

Specifically, by appropriately responding to economic and price trends and developing a framework that enables people to receive medical care, long-term care, and welfare services with peace of mind, and by steadily implementing social security system reforms centered on medical care and long-term care, we will aim to halt and reduce the premium rates on the working-age generation. To this end, as in the Basic Policy on Economic and Fiscal Management and Reform 2025, while taking accurate measures in light of economic and price trends and other factors, we will continue our efforts on expenditure reform and work to ensure that the social security burden rate in FY2027 does not rise compared to FY2025. We will also advance consideration of targets for the social security burden rate while ensuring that the functions of the social security system are not impaired, and, in conjunction with this, specify the details of the reform measures and clarify the implementation schedule for social security reform by the end of FY2026, implementing them in sequence.[119]

(Medical Care, Long-term Care, and Other Services)

We will support the development and dissemination of technology in the fields of medical care, long-term care, disability welfare, and other areas, and further advance efforts toward improving productivity and enabling flexible staffing through DX/AX, team medicine including multidisciplinary collaboration, and other means, while advancing the visualization of management information and, having ascertained the actual state of management, appropriately responding to fluctuations in prices and wages, stabilizing management, and improving working conditions, thereby steadily implementing social security system reforms.[120]

In this regard, if economic and price trends deviate significantly from the projections at the time of the FY2026 medical fee revision and disruptions arise in the management conditions of medical and other institutions, we will make further necessary adjustments, including additions and reductions in medical fees, in the FY2027 budget formulation process. In the next revision of long-term care fees and disability welfare service fees, while referring to the various efforts made in the FY2026 medical fee revision, including the development and utilization of management databases, and having ascertained the state of wage increases in the long-term care and disability welfare fields and the

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[118] "Specific Framework for Social Security Reform Items" (Social Security System Reform Council of the Liberal Democratic Party and Nippon Ishin no Kai, July 7, 2026).

[119] In particular, with regard to medical benefit expenditures, which need to address the aging population and advances in medical care, while advancing efforts toward building a "strong economy" in which the economy grows and wage increases continue, we will continue reforms, including a fundamental review for the next revision of the Medical Cost Optimization Plan, while basically reflecting economic and price trends in medical fees, and referring to the ratio of medical benefit expenditures to GDP and the relationship with the growth of employee compensation.

[120] Specifically, with regard to social security-related expenditures, while continuing efforts to reform benefits and burdens, the increase equivalent to the increase due to aging shall be added to the increase equivalent to the response based on economic and price trends.

management conditions of long-term care and disability welfare services and other providers, we will appropriately respond to price fluctuations, including the standard amounts for assistive device costs, and work to achieve improvements in treatment that are on a par with other occupations. We will examine the appropriate approach to fees and systems for ensuring and improving the quality of services and ensuring the sustainability of the system, including responses to the rapid increase in costs for disability welfare services and other services. At the same time, we will promptly initiate institutional reforms to maintain service provision frameworks nationwide, including the securing of necessary essential workers in the fields of medical care, long-term care, childcare, welfare, and other areas.

Looking toward 2040, after steadily implementing the optimization of the number of hospital beds, we will promote the coordination, reorganization, and consolidation of medical institutions[121] based on the regional healthcare vision from FY2027 onward, deepen the community-based integrated care system, and build a high-quality and efficient medical care and long-term care service provision framework suited to the actual conditions of each region. We will promote the reduction of the economic burden of pregnancy and childbirth and the development of a safe and secure pediatric and perinatal medical care provision framework, the securing of emergency medical care frameworks, the safe and sustainable operation of doctor helicopters, patient-centered appropriate medical care and care at the final stage of life, including end-of-life care, efforts based on the regional healthcare vision for psychiatric medicine, the appropriate implementation of visiting nursing, and the flexible provision of long-term care and disability welfare services in hilly and mountainous areas and depopulated regions. We will work on the promotion of the functions of family doctors, further measures to correct the maldistribution of physicians across regions and specialties, comprehensive measures to address physician maldistribution, including the deployment of physicians from university hospitals and other institutions, and the reduction of the medical school enrollment quota from FY2028 onward taking regional healthcare needs into account. We will work to build a dental care provision framework, including measures to address the maldistribution of dental professionals and other measures.[122] We will examine effective measures for the training and securing of medical personnel,[123] and promote measures to address maldistribution, including improving the quality of nursing personnel[124] and utilizing latent human resources. We will work on the training, securing, and retention of human resources in the long-term care and welfare fields,[125] and support the improvement of operational efficiency, working environment improvement, including safety measures, and the collaboration and scaling-up of management. In the field of medical care, under the new regional healthcare vision, we will examine the appropriate approach to necessary support for the planned development of facilities and equipment essential to the region, including measures against aging and disasters, taking into account future demand. In the long-term care and welfare fields as well, we will support the planned development of facilities and equipment, including measures against aging and disasters.

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[121] Including the clarification of the division of roles among medical institutions, including clinics with beds.
[122] Including the promotion of medical-dental-pharmaceutical coordination, the enhancement of oral health care for persons with disabilities, the improvement of quality and strengthening of coordination of dental laboratories, and measures to address employment and resignation of dental hygienists and dental technicians.
[123] In doing so, we will also examine the appropriate approach to training that leads to the maintenance and improvement of the expertise of medical personnel.
[124] Including the promotion of specified act training.
[125] Including examination of the appropriate approach to the retirement allowance mutual aid system for social welfare facility employees and others.

In the medical insurance system, with regard to the proportion of out-of-pocket medical expenses for elderly persons aged 70 and above, we will conduct a review from the perspective of realizing truly equitable ability-to-pay burden-sharing regardless of age with the working-age generation, for whom the standard is 30%, premised on giving appropriate consideration to ensure that low-income persons and others can access necessary medical care. A reform roadmap for this purpose will be formulated by the end of 2026.[126][127] In the long-term care insurance system, conclusions on the review of the criteria for determining 20% cost-sharing will be reached by the end of FY2026. Furthermore, we will advance efforts based on the "Reform Roadmap"[128] and other frameworks, including the treatment of financial income and assets in medical and long-term care insurance, and considerations toward the expansion of the scope from FY2027 onward taking into account the implementation of the review of insurance coverage for OTC-equivalent drugs and its progress. With regard to pioneer biopharmaceuticals, we will examine the review of the approach to insurance coverage, taking into account the state of development of an environment for promoting the spread of biosimilars. We will provide high-quality services while improving the efficiency and appropriateness of benefits through the utilization of long-term prescriptions and refillable prescriptions, expanding the adoption of regional formularies nationwide, and the promotion of effective and efficient treatment such as drug holidays and dose reduction. We will examine effective measures toward the further switch to OTC status of pharmaceuticals and diagnostics from the perspective of promoting self-medication, and take necessary measures.

We will formulate a medical information promotion policy, advance the renewal of information systems at medical institutions and cybersecurity measures, including emergency responses at specified functional hospitals, and build a foundation for the coordination and utilization, including secondary use, of information related to medical care and long-term care, such as the spread of electronic medical records and electronic prescriptions and information sharing through them, the construction of databases for pharmaceuticals and other items, and the digitalization of publicly funded medical care, vaccinations, and maternal and child health, thereby efficiently providing seamless and optimal services.

We will manage pension reserve funds with the goal of exceeding the long-term wage growth rate, and secure future pension benefit levels. We will promote the optimization of medical assistance in public assistance[129] and the promotion of employment support. In the next revision of the livelihood assistance standard, we will make revisions by comprehensively taking into account the consumption conditions of low-income households in general and socioeconomic conditions based on the results of periodic verification.

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[126] In doing so, we will comprehensively examine, taking into account the rise in the employment rate of elderly persons, the extension of healthy life expectancy, trends in medical cost levels and medical consultation conditions, and household conditions such as the high proportion of low-income persons among the elderly, the appropriate approach to public expenditure burdens from the perspective of reducing the burden on the working-age generation. We will also undertake a fundamental review of out-of-pocket burdens, including the approach to outpatient special cases, the review of income thresholds for cost-sharing ratios, and the raising of age thresholds, while taking appropriate consideration measures to ensure that necessary medical consultations are secured, and reach certain conclusions on their swift realization by the end of 2026. We will urgently advance the development of a foundation for ascertaining income and asset information utilizing My Number System, and advance its reflection in the system.

[127] Based on the "Specific Framework for Social Security Reform Items" (Social Security System Reform Council of the Liberal Democratic Party and Nippon Ishin no Kai, July 7, 2026).

[128] "Roadmap for Reforms Aimed at Building a Social Security System for All Generations (Reform Roadmap)" (Cabinet Decision of December 22, 2023).

[129] Including examination of the strengthening of governance by prefectures.

(Drug Discovery and Advanced Medical Care Innovation)

We will expand public-private investment in drug discovery and advanced medical care and realize health and medical security. Based on the "Health and Medical Strategy"[130] and other frameworks, we will aim for the creation of innovative pharmaceuticals and medical devices, the development of an environment that ensures the reliable market launch of necessary pharmaceuticals and other items even amid current policy developments in other countries regarding pharmaceuticals such as the United States' most-favored-nation (MFN) pricing policy for pharmaceuticals, the stable supply of pharmaceuticals and other items with a high need for supply security, including specified critical goods through domestic production and other means, and the practical application of advanced technologies. We will steadily advance the development of domestic production frameworks for biosimilars and other measures. We will work to ensure the stable supply of generic drugs and other items through the promotion of industrial structural reform.

We will comprehensively promote drug discovery and advanced medical care as a driver of a growth economy, including the strengthening of research and development capabilities and manufacturing and supply, the strengthening of distribution frameworks, support for startups, human resource development, the expansion of the scope of advanced medical care, and international expansion. We will promote research and development and production of regenerative medicine, cell and gene therapy utilizing whole genome analysis[131] and iPS cells and other technologies, immunotherapy, pharmaceuticals for pediatric and rare diseases and RI,[132] and pharmaceuticals for infectious diseases, including antimicrobial-resistant bacteria,[133] as well as the utilization of AI in drug discovery, medical device development, and diagnostics. We will develop a clinical trial and clinical study environment that meets global trends, aiming to double the number of multi-regional clinical trials. We will work on the domestic self-sufficiency of plasma-derived products and the promotion of understanding of blood donation, including among elementary and junior high school students.

We will accurately ascertain market prices affected by economic and price trends and other factors through drug price surveys and other means and implement the FY2027 drug price revision from the perspectives of drug discovery innovation, stable supply of pharmaceuticals, and reduction of the burden on the people. In doing so, we will advance objective verification of the cost-effectiveness evaluation system, and, taking this into account, specifically examine and reach certain conclusions on further reviews toward the development of the system. From the perspective of enhancing the attractiveness of Japan's pharmaceutical market, we will advance further evaluation of innovation in innovative new drugs, including appropriate evaluation at the time of initial listing for the innovativeness of pharmaceuticals and the approach to drug pricing during the patent period.[134]

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[130] Cabinet Decision of February 18, 2025.
[131] We will promote the development of a high-quality genomic information platform by Genomic Medicine Japan (GeMJ), incorporating whole-genome data, multi-omics data, clinical information, and other relevant data, as well as efforts to promote the utilization of analytical data.
[132] With regard to RI (radioisotopes), based on the "Action Plan for Promotion of Production and Utilization of Medical Radioisotopes" (decided by the Japan Atomic Energy Commission on May 31, 2022), we will advance efforts necessary for the development, production, stable supply, and medical provision frameworks.
[133] Examination of the appropriate approach to necessary legal systems and other matters based on the "Strategy for Strengthening the Development and Production Systems for Medical Countermeasures (including vaccines, therapeutics and diagnostic agents)" (approved by the Cabinet on March 24, 2026).
[134] Including market expansion re-pricing and sustainability special price adjustments.

(Proactive Preventive Medicine and Disease Countermeasures)

We will improve the well-being of the people and extend healthy life expectancy and realize a Japan in which everyone can play an active role as a contributor to society. We will promote "proactive preventive medicine" and work in coordination with relevant organizations on health promotion, disease prevention, including obesity, early detection, early intervention, and behavioral change. We will promote the improvement of health literacy, including nutrition and dietary habits, the strengthening of pharmacy functions and the role of pharmacists in contributing to the health promotion of local residents, the review of the approach to medical examinations during school age,[135] vaccinations, prevention of HIV and sexually transmitted infections, infectious disease countermeasures such as wastewater surveillance, improvement of the rate of cancer screening and detailed examination attendance, prevention of lifestyle-related diseases, including cardiovascular disease and diabetes, the concretization of dental checkups for all ages (expansion of the target age of periodontal disease screening and further enhancement of dental checkups for the working-age generation), dental disease measures and oral health management based on the relationship between oral health and overall health,[136] early diagnosis and early intervention of dementia, seamless rehabilitation through prevention, medical care, and long-term care,[137] and the utilization and information coordination of the PHR (Personal Health Record). We will promote the advancement of medical care for women in the menopausal generation and the strengthening of the functions of the Integrated Center for Women's Health, the formulation and implementation of the roadmap for the "Five-Year Plan for Promoting Preconception Care,"[138] collaborative health between companies and insurers, the promotion of KENKO investment for health, including sleep-related measures,[139] and the development of the healthcare industry that supports prevention and health promotion.[140][141]

We will promote disease control measures[142] for cancer, stroke, heart disease and other cardiovascular diseases, chronic kidney disease, chronic obstructive pulmonary disease, chronic pain, intractable diseases, allergies, addiction, hearing loss, sleep disorders, and other diseases, and transplant medicine.

(Promoting Global Health)

We will work toward achieving universal health coverage (UHC) through the UHC Knowledge Hub established in Japan and other initiatives and strengthen international infectious disease countermeasures and health systems in coordination with CEPI,[143]

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[135] Including the perspective of seamless preventive medicine from childhood.
[136] Including measures against oral frailty.
[137] Including the enhancement of effective visiting rehabilitation.
[138] Decided by the Study Group on the Appropriate Approach to the Provision of Preconception Care on May 22, 2025. A five-year plan was decided for preconception care, the concept of having appropriate knowledge about sex and health at the appropriate time, regardless of gender, and managing one's health with consideration for life design (future planning), including pregnancy, childbirth and future health.
[139] We will also further advance sleep-related market expansion and corporate support, including measures against sleep apnea in the transportation industry, improvement of medical access for sleep disorders and promotion of sleep research, dissemination and awareness-raising of sleep guidelines, and support for evidence generation for service creation utilizing sleep and other data.
[140] Including research, dissemination, and awareness-raising of so-called integrative medicine.
[141] We will advance efforts based on the "Organization of Issues for Promoting Responses to Health Challenges Arising from Sex Differences" (compiled by the Vice-Ministerial Council on Healthcare Related to Sex Differences for Proactive Preventive Medicine, May 25, 2026).
[142] Including the expansion of opportunities to receive cancer gene panel testing currently conducted as advanced medical care before the start of standard treatment.
[143] Coalition for Epidemic Preparedness Innovations.

the GHIT Fund,[144] and other organizations. We will promote the international expansion of health promotion, disease prevention, healthcare, and long-term care.

3. Key Challenges and Policy Approaches by Major Field

(1) Promoting Measures Against the Declining Birthrate and for Children and Young People Who Will Shape Japan's Future

Since declining birthrate countermeasures and support for children, young people, and child-rearing are interrelated, we will vigorously promote them in an integrated and comprehensive manner based on the "Children's Future Strategy"[145] and other frameworks. We will advance integrated consultation support at Child and Family Centers, seamless support from pregnancy through child-rearing, including maternal and child health policies such as postnatal care, and support for infertility and other conditions. We will consider and advance support for early childhood education and care, including the reduction of childcare fees, taking into account the challenges of securing human resources and financial resources. We will advance improvements in the treatment of childcare workers, kindergarten teachers, and other early childhood education and care personnel, the review of official prices, including regional classifications, the development of common curriculum standards among early childhood education and care settings, and children's policy DX. To support the balance between work and family life, we will develop a society and living environment that is conducive to child-rearing, including the promotion of the utilization of high-quality babysitting and housekeeping services, the enhancement of after-school places utilizing the vitality of companies and others and sick-child care, and the promotion of housing provision for households with children. To create a virtuous cycle of corporate support and growth, we will promote the "Child and Youth Centered Business Initiative."[146]

To protect the lives and safety of children and young people, under coordination with local governments, we will lead the fundamental strengthening of support frameworks, including the promotion of the establishment of councils[147] and the examination of the appropriate approach to the utilization of ICT and AI, and shift into a higher gear on suicide countermeasures for children and young people.[148] We will also steadily take measures to protect children from sexual violence. To protect children from diverse risks, taking into account G7 agreements and other frameworks, relevant ministries and agencies will work in coordination and aim to submit an amendment bill to the Act on Development of an Environment That Provides Safe and Secure Internet Use for Young People[149] to the next ordinary session of the Diet.

To develop an environment in which young people can have hope and make choices, we will conduct the basic design of youth policy based on large-scale surveys, and work on the establishment of comprehensive model projects in regions and the enhancement

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144 Global Health Innovative Technology Fund.
145 Cabinet Decision of December 22, 2023. In addition, we will promote the various measures included in the "Action Plan for Achieving a Children-Centered Society 2026" (decided by the Council for the Promotion of Child-Related Measures on June 9, 2026).
146 An initiative to support and develop an environment in which private companies can work in an integrated manner on the social value of "children and young people first" and the improvement of corporate value.
147 Legally established by the Act for Partial Amendment of the Basic Act on Suicide Countermeasures (Act No. 64 of 2025) (enforced on April 1, 2026).
148 Including the early review of the "Emergency Enhanced Plan for Child Suicide Countermeasures" (compiled by the Liaison Conference of Related Ministries and Agencies on Child Suicide Countermeasures on June 2, 2023).
149 Act on Development of an Environment That Provides Safe and Secure Internet Use for Young People (Act No. 79 of 2008).

of rich experiential opportunities for all children. We will increase the income of child-rearing generations through the realization of a "strong economy." We will promote policy implementation with youth participation, such as the appointment of young people as advisory council members.

We will strengthen support to protect children from adversity. We will enable the early identification of information on children and others who potentially need support, advance the creation of “Ibasho (place where one feels comfortable, safe and accepted)” for children, and promote support for households with children in poverty, single-parent families and families before and after divorce,[150] young carers, pregnant and postpartum women in difficult situations, child abuse prevention measures, including enhancing the capacity of Child Guidance Centers, social care, including foster care and special adoption, support for children with developmental disabilities and under medical care and other children with disabilities and inclusion, efforts for children with diverse backgrounds, and a child death review.

We will strengthen coordination between the national and local governments and support for local governments with limited fiscal capacity. We will strengthen research functions, make budget expenditure fully transparent, and endeavor to advance policies while gaining the understanding of the public.

(2) Revitalizing Public Education and Energizing Research Activities

A good society cannot be built without investing in people. The Takaichi Cabinet will revitalize public education, which forms the foundation of human development, and fundamentally improve the quality of education.

With the widespread adoption of AI in society imminent, we will support guidance on the use of AI tailored to the developmental stages of children and students and develop human resources capable of navigating an uncertain and rapidly changing society. We will promptly revise the AI guidelines for schools. As a national policy, we will promote the GIGA School Program, advance efforts to create an environment conducive to safe and proactive use of AI and conduct demonstration research, and develop leading practices and promote their wider adoption.

We will comprehensively reform the human resource development system from high school through university, graduate school, and other higher education institutions, and strengthen the human resource base suited to changes in industrial structure. With the period up to 2030 as the first phase, we will comprehensively promote the strengthening of the functions of university and other higher education institutions and the optimization of the university scale taking into account the decline in the 18-year-old population,[151] and work toward rebalancing the distribution of academic fields and the regions where universities are located in higher education and breaking away from the large number of 18-year-old students enrolling. To strengthen the functions of universities, graduate schools, and other higher education institutions, including the development of science, engineering, and digital human resources, we will advance the reorganization of faculties toward growth fields, the development of advanced human resources in the 17 strategic fields and reskilling in response to actual demand, the establishment of new and

[150] Including the promotion of the creation of parenting plans and support for the enforcement of child support and parent-child visitation.

[151] The 18-year-old population is projected to decline by approximately 30%, from approximately 1.11 million in 2026 to approximately 740,000 in 2040 (based on the National Institute of Population and Social Security Research, "Population Projections for Japan (2023 Projection) (Low Fertility / Low Mortality)"). The number of universities in FY2025 is 812.

strengthening of existing colleges of technology (KOSEN), the focus on growth fields at universities in major metropolitan areas where cross-disciplinary education is not necessarily provided, and the improvement of quality through the downsizing of fields such as humanities and social sciences and the concurrent study of fields such as mathematics and science, and the further promotion of studying abroad for university and high school students, thereby fostering human resources capable of creating value within diverse environments. We will strengthen the provision of information on educational outcomes and quality. For the optimization of scale and the development of human resources supporting regions, while promoting the withdrawal of universities at a stage when they still have management capacity, we will advance the training of high-quality human resources essential for the maintenance of medical care, long-term care, welfare, industry, and infrastructure in each region, the development of integrated curricula at vocational high schools and junior colleges, and the upgrading of education at specialized training colleges. In addition to support through the High School Education Reform Promotion Fund, we will promote high school education reform in response to social changes through the construction of new financial support mechanisms such as grants, while securing stable financial resources. We will also continue to work on reducing the burden of educational expenses.

We will comprehensively advance teachers' work-style reform, improvements in treatment, enhancement of guidance and management frameworks, teacher license reform, and other development support in an integrated manner, and secure candidates for teaching positions, including responses to the urgent teacher shortage. With the goal of reducing the time teachers spend at school outside of working hours to approximately 30 hours per month by FY2029, we will advance the optimization of teachers' and schools' work and school administration DX. We will raise the additional adjustments for the teaching profession to 10% by FY2030. We will steadily advance the Teacher Staffing Improvement Plan and expand the allocation of external personnel to support work-style reform. We will conduct further examination of the support for scholarship repayment, including at the undergraduate level. We will nationally advance coordination and collaboration between schools and communities, the transformation to community club activities,[152] and other measures.

We will develop a learning environment aimed at by the next Course of Study and other frameworks,[153] including equity, a fundamental improvement of information literacy, and high-quality inquiry-based learning reflecting interests and concerns. We will improve the quality of early childhood education and childcare. We will comprehensively advance countermeasures against bullying, school non-attendance, and other issues,[154] and advance the enhancement of special needs education and school safety efforts,[155] thereby promoting the development of schools where students can attend with peace of mind. We will steadily support local governments and others in advancing the

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[152] Including the securing of instructors and means of transportation for students related to community club activities.

[153] Including the enhancement of English education incorporating the use of AI, and of education that develops the competencies of students with gifts and talents.

[154] Including the development of an environment where students can consult with school counselors and school social workers, the promotion of the establishment of educational support centers inside and outside schools, and other measures to ensure educational opportunities. We will also promote the nationwide establishment of evening classes at junior high schools.

[155] Including the promotion of safety in school educational activities conducted outside of school, including school trips and club activities. We will also continue to inform school establishment entities, schools, and others of the importance of ensuring political neutrality in such activities. Furthermore, we will promote the Safety Promotion School initiative to ensure sustainable school safety in coordination with local residents, parents, and local related organizations. We will promote measures to ensure students' safety during their commute to and from school, including the utilization of school buses.

improvement of the educational environment at schools and measures against aging in an integrated and planned manner and develop creative learning environments. We will promote experiential activities and reading activities, food education centered on nutrition and dental health education, and myopia prevention. We will strengthen the functions of overseas educational facilities by leveraging their distinctive features.

We will steadily implement the new financial support system for higher education and the deferred-payment tuition program even amid rising prices.

We will steadily advance the newly formulated "Science, Technology, and Innovation Basic Plan"[156] and strengthen EBPM in science and technology policy. We will advance university reform and strengthen the foundation of science and technology research, including basic research, such as by significantly expanding the Management Expense Grant for National University Corporation and Grants-in-Aid for Scientific Research (KAKENHI) that stably and continuously support research activities at universities, providing steady support for the planned development of facilities, and concentrating and enhancing private university subsidies on growth fields and the development of human resources supporting regions,[157] thereby making Japan a major hub for international talent circulation and achieving economic growth and the securing of international standing through innovation. At the same time, we will strengthen the research and development foundation of national research and development agencies through the expansion of operating grants and other measures. We will also enhance support for key technology areas through the promotion of Moonshot Research and Development (challenging research and development based on revolutionary concepts).

We will swiftly promote efforts toward the full conversion of KAKENHI to the Multi-year Fund system, thereby reducing the complex administrative burden on researchers and securing research time. We will promote the development, sharing, and upgrading of advanced research facilities[158] and equipment. We will promote "AI for Science," which applies AI to scientific research to accelerate new discoveries and understanding.

While clarifying the appropriate balance of education, research, and clinical practice at university hospitals, we will work on the strengthening of educational and research functions and management capacity, improvements in treatment, and support for the emergency improvement of aging facilities and equipment.

We will promote industry-academia-government and regional integrated efforts toward the selection of science and technology career paths by female junior and senior high school students, such as the continuous provision of opportunities to learn cutting-edge science and technology, including AI. Additionally, we will provide support for young female researchers to enable them to continue their research regardless of life events.

(3) Promoting Strategic Social Capital Development

To realize a "strong economy," it is important to strategically develop social capital that supports crisis management investment and growth investment.

We will strengthen the infrastructure development capacity of regions through the improvement of productivity, including the introduction of physical AI, improvements in remuneration such as wage increases, and the development of an environment for securing and enabling the active participation of diverse human resources in the

[156] Research and development investment targets from FY2026 to FY2030 (government: 60 trillion yen; public-private: 180 trillion yen).
[157] Including the steady securing of operating grants for the National Institute of Technology.
[158] Including the large-scale synchrotron radiation facility SPring-8, NanoTerasu, and Fugaku NEXT.

construction industry, which is indispensable for social capital development. While promoting stable and sustainable public investment under a medium- to long-term outlook, we will promote appropriate price pass-through while taking into account the need to secure labor costs and the impact of recent surges in material prices, secure the necessary volume of projects, and advance efficient and focused efforts. We will promote public-private partnership investment and other measures based on the "PPP/PFI Promotion Action Plan (2026 Revised Edition)."[159] We will review public works project evaluations to shift to a comprehensive evaluation that takes into account national strategy, disaster prevention and mitigation, national resilience, and the foundational functions that protect the lives and livelihoods of regions, without excessive reliance on cost-benefit ratios and other measures, and review the social discount rate taking into account recent interest rate conditions and other factors.

(4) Enhancing Fundamentals of Sustainable Local Administration and Public Finance

Even amid social changes such as the shortage and maldistribution of human resources and advances in digital technology, we must provide administrative services in a sustainable and optimal manner into the future. We will ensure the total amount of local governments' general revenue sources,[160] thereby realizing strong regional economies through efforts for price pass-through in public procurement and other measures and securing and strengthening the sustainability of local administrative and fiscal foundations that support them. Amid the widening fiscal capacity gap between urban and rural areas and the widening regional gap in administrative services, we will take specific measures toward the development of a local tax system characterized by a more even distribution of tax sources, in line with the ruling parties' FY2026 Tax Reform Outline.

Based on the deliberations of the Local Government System Research Council, we will examine new concepts for the division of roles among the national government, prefectures and municipalities, and administrative frameworks in major metropolitan areas. We will also strengthen coordination among local governments and Wide-Area Regional Cooperation.

In line with the "Priority Plan for the Advancement of a Digital Society" and other frameworks, we will advance local government AX/DX, the strengthening of cybersecurity for local governments, and the shift to and operational optimization of a standard compliance system. We will take appropriate measures in light of the amended Certified Administrative Procedures Legal Specialist Act.[161]

While taking into account proposals from local governments, we will promote reforms to improve the productivity of administrative services.

4. Strengthening Efforts to Promote the Plan

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[159] Decided by the Council for the Promotion of Private Finance Initiatives on June 11, 2026.

[160] With regard to the level of local government expenditures, while aligning with the direction of its general expenditure efforts, 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 FY2026 Fiscal Plan of Local Governments, and not below. In addition, the government will accurately reflect economic and price trends, taking into account shifting the budget formulation suitable for strengthening economic growth potential and expanding the nominal size of the economy.

[161] The Act for Partial Amendment of the Certified Administrative Procedures Legal Specialist Act (Act No. 65 of 2025) established provisions regarding the mission and responsibilities of Certified Administrative Procedures Legal Specialists in light of digitalization, expanded the scope of work for specified Certified Administrative Procedures Legal Specialists, and clarified regulations concerning work restrictions, among other measures.

To make "responsible and proactive public finances" effective, it is essential to secure necessary strategic investments that enhance resilience against potential crises and investments that promote growth, while improving the quality of expenditures and ensuring fiscal sustainability and market confidence. To this end, we will develop and upgrade the progress management and review functions that have hitherto been carried out by the Committee for Promoting the Integrated Economic and Fiscal Reforms into a new framework under "responsible and proactive public finances" that conducts integrated reviews of expenditure reform, strategic investments that enhance resilience against potential crises, investments that promote growth, policy effects, and fiscal indicators, going beyond single-year budget allocation and formalistic progress management.

Under this new framework, toward the steady implementation of important policies, we will review progress on an annual basis under the Council on Economic and Fiscal Policy with regard to medium- to long-term important policies that form the foundation of the lives of the people, including the "Growth Strategy," the "Strategy for the Future of Regions," the fundamental review of budget formulation, and the integrated reform of social security and taxation, as incorporated in this Basic Policy.

With regard to the progress of reforms in each field, each implementing entity shall continuously review, according to the content and stage of progress of policies, the implementation status of strategic investments that enhance resilience against potential crises and investments that promote growth, the inducement effects on private investment, the strengthening of supply capacity, the progress of institutional reforms, the achievement of KPIs, and the impact on fiscal indicators. With regard to the medium- to long-term important measures set forth in this chapter, reviews shall be conducted not only from the perspective of expenditure reform but also from the perspectives of medium- to long-term growth effects and spillover effects on the lives of the people, and the purpose, target, outcome indicators, performance data, and cost-effectiveness of each measure shall be clarified to continuously understand policy effects. We will also verify the cost-effectiveness of policies from the perspective of whether subsidies and other items are generating social value commensurate with expenditures through the "Review of Special Measures Concerning Taxation, Subsidies, and Funds," and work on expenditure reform, as well as advance efforts toward the effective utilization and improvement of returns of public-private funds, including the revision of guidelines[162].

Economic and Fiscal Projections for Medium to Long Term Analysis[163] shall be positioned as a foundation for presenting to the public and markets in an easily understandable manner the premises, policy effects, and risks of "responsible and proactive public finances." At the time of the semi-annual publication of projections, we will confirm the path toward the realization of the economic and fiscal vision the plan aims to achieve, analyze whether indicators such as private investment, including strategic investments that enhance resilience against potential crises and investments that promote growth, the potential growth rate, nominal GDP, the economic growth rate, tax revenues, and the ratio of outstanding debt to GDP are progressing in line with previous assumptions, and conduct appropriate macroeconomic and fiscal management.

Furthermore, taking into account the micro- and macro-level performance tracking and verification of the policy effects of the "Growth Strategy" by the Council for Japan’s

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[162] "Guidelines for the Operation of Public-Private Funds" (decided by the Ministerial Council on Promoting the Utilization of Public-Private Funds on September 27, 2013; partially revised on December 21, 2022).
[163] "Economic and Fiscal Projections for Medium to Long Term Analysis" (Cabinet Office).

Growth Strategy, we will continuously improve analytical methods and models in Economic and Fiscal Projections for Medium to Long Term Analysis, including more consistent understanding of the relationships between investment, economic growth, and tax revenues.

Based on these reviews, a comprehensive verification of the plan as a whole shall in principle be conducted every five years at the Council on Economic and Fiscal Policy, and the plan shall be revised as necessary taking into account changes in economic, price, interest rate, and tax revenue trends, policy effects, and fiscal indicators.

Through these efforts, we will promote this plan so that the people can feel the effects of policies while securing market confidence, by realizing a "strong economy" and "fiscal sustainability" through, among other measures, achieving well-targeted resource allocation.

In advancing these reviews, EBPM shall be utilized not merely as a tool for ex-post evaluation or expenditure reduction, but as a tool for advancing budget formulation, execution, review, and reflection in subsequent budgets in an integrated manner. We will also actively utilize human resources inside and outside the government with expertise in economics, public finance, finance, data science, industrial policy, and other fields, and strengthen the government's internal capacity for policy effect analysis, cost-effectiveness analysis, and data analysis. At the same time, we will advance the utilization of real-time data and high-frequency data to improve the accuracy of understanding of actual economic conditions. We will present the premises of such analyses and the concept of policy effects in an easily understandable manner, and utilize them in discussions, reviews, and verifications at the Council on Economic and Fiscal Policy.

In conducting reviews in the fields of disaster prevention, science and technology, critical infrastructure, and other areas, we will place emphasis not only on cost-benefit analysis but also on the perspectives of maintaining national functions, maintaining supply capacity, and strategic autonomy. From the perspective of the lives of the people, we will broaden efforts toward the realization of well-being rooted in Japanese society, such as the setting of KPIs in relevant basic plans, and contribute to and disseminate information in international discussions.[164]

Through these efforts, "responsible and proactive public finances" will be concretized not merely as a concept but as policy management that realizes the strengthening of growth capacity, the security of the lives of the people, and fiscal sustainability in an integrated manner.

[164] Utilizing occasions such as the OECD World Forum on Well-being scheduled to be held in Japan in 2028.

Chapter 4 Immediate Economic and Fiscal Management and Approach to Fiscal 2027 Budget Formulation

1. The Current Economic Situation and Immediate Economic and Fiscal Management

The government will ensure a transition to a "growth economy" that does not revert to deflation, while responding flexibly to risks such as high prices, uncertainty in the global economy, geopolitical risks, fluctuations in financial and capital markets, and natural disasters.

Looking at the current state of Japan's economy, nominal GDP in FY2025 increased by over 4%, and real GDP increased by 0.8% despite being weighed down by high prices. Amid significant fluctuations in the environment surrounding the global economy, corporate income has remained firm, and employee income has increased in both nominal and real terms, with a private-sector-led cycle beginning to emerge in which income growth generates consumption and investment.

However, overseas risk factors that could have a significant impact on the outlook for Japan's economy, including the situation in the Middle East, continue to exist, and at the same time, domestic structural challenges such as the declining birthrate and population decline remain, making further strengthening of efforts necessary for a full-fledged transition to a "growth economy."

With regard to immediate economic and fiscal management, we will appropriately and flexibly execute the FY2026 budget as well as the FY2026 supplementary budget, which was formulated to ensure full preparedness from the perspective of minimizing risks, in response to changes in the situation. While supporting private demand, we will work to ensure the stable supply of crude oil to Japan through alternative procurement and the release of stockpiles as necessary in response to the current situation in the Middle East, and endeavor to ensure the stable supply of critical goods and facilitate distribution. We will continue to analyze the impact on Japan's economy and prices and take flexible and sufficient measures without hesitation to protect the lives of the people and business activities.

Through such immediate economic and fiscal management, the government aims to realize a "strong economy." It is therefore critically important that it be accompanied by appropriate monetary policy management that contributes to achieving "stable inflation." We expect the Bank of Japan to conduct monetary policy as appropriate toward achieving the price stability target of 2% in a sustainable and stable manner, while closely cooperating with the government in accordance with the spirit of Article 4 of the Bank of Japan Act and of the joint statement of the government and the Bank of Japan, and confirming the virtuous cycle between wages and prices.

2. The New Approach to Budget Formulation and the Basic Principles for FY2027

To concretize the concept of "responsible and proactive public finances" for realizing a "strong economy," we will, in the FY2027 budget formulation, shift budget formulation from the uniformly austerity-oriented approach of the deflation and low-growth era to an approach that accurately reflects price and wage increases and is suitable for enhancing economic growth potential and expanding the nominal size of the economy.

In budget requests, we will review the uniformly austerity-oriented approach to requests and accurately reflect price and wage increases so as to substantially maintain

the level of administrative services. In doing so, we will advance necessary reviews and revisions of government-set prices and various benchmark amounts and thresholds. Specifically, we will make appropriate unit price revisions for personnel costs and agency expenses necessary for the operation of administrative agencies and other entities, and for project and policy costs such as subsidies and consignment fees.

Furthermore, while also utilizing project-by-project full cost information, we will continuously review existing projects based on PDCA and EBPM, reflect the results of self-assessments under the "Review of Special Measures Concerning Taxation, Subsidies, and Funds" in budget requests, and prioritize areas with high policy effects.

Regarding social security-related expenses, while taking appropriate measures in official prices and other frameworks for medical care, long-term care, childcare, social welfare, and other services from the perspectives of securing human resources in the field, stabilizing management, and ensuring the quality of services, we will continue reforms of benefits and burdens under the policy of halting and reversing increases in premium rates for the working-age generation, taking into account not only national expenditures but also total benefit costs, public expenditure and insurance premium burdens, and the disposable income of the working-age generation.

To enable the implementation of measures with predictability that contribute to raising the potential growth rate through domestic investment, including strategic investments that enhance resilience against potential crises and investments that promote growth, we will establish a '"Strong and Prosperous Japan" Investment Framework' that can be implemented separate from regular expenditures. To enable the incorporation of truly effective investment support measures regardless of the previous fiscal year's budget allocation, we will establish a mechanism that allows the appropriate amount to be requested, including through item-based requests, without imposing predetermined request limits (known as ceiling), allow appropriate amount to be requested, including through item-based requests, and establish a mechanism which such requests can be effectively translated into budget allocations during the budget formulation process. In doing so, we will incorporate into budget requests effective policy ideas and necessary budgets that contribute to strengthening growth capacity, unconstrained by precedent and with an eye to winning international competition on par with other countries.

Moving away from dependence on supplementary budgets will be positioned as a measure to enhance the transparency and discipline of the budget. We will limit supplementary budgets to items of high urgency and provide for permanent programs in initial budget; this principle will be thoroughly applied in the budget formulation process, including the budget request stage, and further formalization will be pursued. In doing so, necessary and sufficient local fiscal measures will be taken so as not to cause disruptions to fiscal management of local governments and smooth project execution.

In the FY2027 budget formulation, each ministry and agency shall make appropriate budget requests based on the above. In the budget formulation process, we will formalize efforts on both the expenditure and revenue fronts in line with this Basic Policy, formalize the '"Strong and Prosperous Japan" Investment Framework,' clarify the distinction between supplementary budgets and the initial budget, and, from the perspective of the predictability necessary for long-term investment and flexible and efficient fund management, conduct a fundamental review of fund rules, including the possibility of exempting such funds from the current rule that "budgetary appropriations should, in principle, be limited to a period of no more than three years," while utilizing appropriate means according to the nature of the investment. The '"Strong and Prosperous Japan"

Investment Framework,' including crisis management investment and growth investment, measures that are highly effective in significantly boosting domestic private-sector capital investment and the potential growth rate are eligible, as indicated in the form of initiatives set out in the Public-Private Investment Roadmap and efforts to address cross-sectoral challenges, based on the "Growth Strategy," the "Strategy for the Future of Regions" and other frameworks. With regard to its scale, we will secure a necessary and sufficient investment scale while achieving fiscal sustainability. Furthermore, the total scale of government outlays will be suitable for strengthening economic growth potential and for expanding the nominal size of the economy, taking into account consistency with prices and wages, the nominal size of the economy, projected revenue, policy effects, and fiscal targets.

The Council on Economic and Fiscal Policy will verify and evaluate efforts based on this section (the Basic Principles of Budget Formulation), and in the latter half of the year, make necessary revisions to the Basic Principles of Budget Formulation taking into account the state of reflection in the FY2027 budget, changes in economic and social conditions, including the economic outlook, and other factors.

Furthermore, after formulating the FY2027 budget under this new approach to budget formulation, we will examine further improvements based on the outcomes.