

Comprehensive Economic Measures to Build a “Strong Japanese Economy”

~ The Latent Power and Vigor of Japan and the Japanese People: Transforming Anxiety into Confidence~

Cabinet Decision on
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Provisional Translation

*Prepared by the Cabinet Office

1. Current Assessment of the Economy and Key Challenges

- ◆ Our country's economy has reached the stage where it is transitioning from one defined by deflation and cost-cutting to a new growth-oriented economy. We now stand at a decisive juncture: whether we can successfully shift to a growth-oriented economy that will not slip back into deflation.
- ◆ The challenge lies in the sluggishness of our potential growth capacity. The outlook for the global economy remains uncertain. Rising prices have weakened private consumption and other demand, and the sense of economic recovery has yet to spread to local regions or to small and medium-sized enterprises.

2. Desired Direction of Progress

- ◆ Japan possesses the latent power and vitality. Our task is to awaken it and build a stronger, more prosperous nation. What is required now is a “responsible and proactive public finances” that fulfils our duty to future generations. By advancing bold and “strategic investments that enhance resilience against potential crises” and “growth investment,” we will secure safety and peace of mind in people’s daily lives, increase employment and incomes, raise the growth rate, and create a robust economy. Government and the private sector will work together to expand investment aimed at solving social challenges, minimising various risks, and unlocking the potential of cutting-edge technologies.
- ◆ We will reassess past approaches without reserve, ensuring that the fruits of economic growth are delivered broadly to the public and that people can tangibly feel an improvement in economic conditions. Our aim is to build an economy in which the benefits are not confined to a handful of major corporations or specific industries, but extend to small and medium-sized enterprises, micro-businesses, local communities, and people of all generations.

3. Framework for the Economic Measures

Pillar 1: Securing Everyday Life: Measures to address rising prices

Protecting households and workplaces from rising prices

- Mitigating the impact of rising prices in line with local circumstances (expansion of the Priority Support Local Allocation Grant)
- Reducing the energy cost burden on households and businesses (support for electricity and gas bills during the winter; smooth implementation of the abolition of the provisional tax rate on petrol; provision of child-rearing support allowance responding to rising prices (20,000 yen per child))
- Stabilizing and revitalizing life in local regions (supporting and invigorating key local industries; fostering the creation of world-leading technologies and businesses originating in the regions; and developing the foundations of safe and secure local communities)
- Creating an environment that enables wage increases (support for small and medium-sized enterprises and micro-businesses; measures to facilitate appropriate price pass-through; strengthening earning power; support for labor-saving investment)

Pillar 2: Strategic Investments that Enhance Resilience against Potential Crises: Building a robust economy through growth-oriented investment

Strengthening proactive and targeted efforts in strategic investments that enhance resilience against potential crises and growth investment

- Strengthening economic security (enhancing public-private partnership investment in strategic sectors; strengthening supply chains for critical materials)
- Establishing food security (structural transformation of agriculture, forestry and fisheries, expanding exports)
- Strengthening energy and resource security (nuclear power, energy efficiency, resource development, and GX initiatives)
- Disaster prevention, mitigation, and national resilience (recovery and reconstruction; building a resilient nation for the Reiwa era)
- Expanding investment for the future (cutting-edge science and technology; promotion of start-ups, creative industries, culture, the arts, and sport; health and medical security; promoting investment in people; establishing Japan as a global asset-management hub; and developing the environment needed to expand growth investment)

Pillar 3: Strengthening Defense Capability and Diplomatic Power

Building a “Strong Japan” that safeguards the safety and prosperity of its people

- Diplomacy and responding to the security environment (fundamentally reinforcing defense capabilities and institutional frameworks; advancing multifaceted economic diplomacy; responding to changes in the security environment)
- Responding to U.S. tariff measures (Japan-U.S. Strategic Investment Initiative; financial support and other assistance for companies affected by the tariffs)

Ensuring that the fruits of economic growth are shared widely across the population, so that everyone can feel the benefits, anxieties about the future are transformed into hope, and a society is created in which people can live with confidence.

Proposed Concrete Measures for Building a “Strong Japanese Economy”

Pillar 1: Securing Daily Life and Addressing Rising Prices

1 . Responding to the current surge in prices

- (1) **Fine-tuned measures to address rising prices in line with local needs**
 - Expansion of the Priority Support Local Allocation Grant (providing additional support to address rising food prices, separate from existing assistance for households and businesses)
- (2) **Reducing the burden of energy costs and related expenses**
 - Assistance for electricity and gas bills during harsh winter months
 - Smooth abolition of the temporary tax rate on gasoline (formerly the provisional tax rate)
 - Provision of child-rearing support allowance responding to rising prices
 - Enhancing and strengthening food provision through food banks and children's cafeterias
- (3) **Ensuring thorough price pass-through in public-sector procurement in light of rising prices**
 - Reviewing unit prices in contract work between national and local governments and the private sector
 - Facilitating smooth price pass-through - including labor costs - in public procurement by local authorities
 - Ensuring full implementation of measures such as price-indexed adjustments and mid-year revisions in response to rising prices
- (4) **Support for low- and middle-income households affected by rising prices**
 - Beginning the design of a system for refundable tax credits
 - Raising the basic deduction in line with price levels

2 .Harnessing regional growth potential and stabilizing everyday life

- (1) **Supporting and revitalising key industries that sustain local living environments**
 - Medical and long-term care support package
 - Maintaining regional transport and logistics systems; supporting retail and service sectors; promoting sustainable tourism; revitalising disadvantaged areas; and advancing the digital transformation in areas related to everyday life
- (2) **Fostering the creation of world-leading technologies and businesses originating in the regions**
 - Support for mid-sized companies and others; formation of industrial clusters; securing key actors and resources for regional economies
- (3) **Building a community-based, inclusive society**
 - Strengthening support systems for needy persons; restoring funds previously transferred from the compulsory automobile damage liability insurance special account; creating environments that promote the active participation of women and older people; and advancing high-quality policies for children, young people and families
- (4) **Promoting public safety measures and related initiatives**
 - Strengthening measures against crime and fraudulent activity; enhancing consumer administration; and implementing a package of measures to address bear-related damage
- (5) **Strengthening measures to address issues related to foreign residents**
 - Raising application-related and other fees and ensuring proper immigration control
- (6) **Revitalising public education and advancing towards free education**
 - Advancing towards tuition-free education and re-energizing high-quality public education

3 . Creating an environment that enables wage increases, particularly for small and medium-sized enterprises and micro-businesses

- (1) **Creating an environment that enables wage increases**
 - Expansion of the Priority Support Local Allocation Grant (support for small and medium-sized enterprises and small-scale-businesses)
 - Promoting the use of Career Advancement Subsidies (improving conditions for non-regular workers and related measures)
 - Responding in line with the National Personnel Authority's recommendations (salaries and conditions for public servants)
- (2) **Ensuring thorough price pass-through**

Strengthening the earning power of SMEs and promoting labor-saving investment

 - Ensuring thorough price pass-through and promoting fair business practices
 - Support for productivity improvements to enable sustained, structural wage growth (investment support to strengthen the earning power of mid-sized and small businesses; support for business succession and M&A; enhancement of hands-on, ongoing support structures)

Pillar 2: Building a Robust Economy through Strategic Investments that Enhance Resilience against Potential Crises

1 . Strengthening economic security

- (1) **Enhancing public-private partnership investment in strategic sectors and strengthening supply chains for critical products**
 - Support for AI development and deployment, along with assistance for the semiconductors and data centers that underpin it
 - Revitalization and strengthening of the shipbuilding industry
 - Acceleration of quantum technology innovation and the early realization of fusion energy
 - Promotion of drug discovery and advanced medical care, development of domestic production bases, and strengthening of synthetic biology and biotechnology
 - Reinforcement of the aircraft industry's manufacturing base, promotion of space and ocean development, and encouragement of investment in food tech
 - Ensuring a stable supply of critical minerals, advancing materials innovation, strengthening next-generation information and communications infrastructure, and enhancing port logistics
 - Strengthening supply chains through risk assessments and related measures, and enhancing support for “specified critical products”
- (2) **Strengthening cybersecurity measures**

5 . Expanding investment for the future

- (1) **Support for cutting-edge science and technology**
 - Expansion the Grants-in-Aid for Scientific Research; strengthening international competitiveness through industry-government-academia collaboration (including the advancement of SPRing-8); and securing the legacy of the Osaka-Kansai Expo
- (2) **Strengthening support for start-ups; promoting the content industry; and advancing culture, the arts, and sport**
 - Support for expanding the scale of start-ups, including facilitating funding and capital acquisition, building networks with overseas entrepreneurs and others, and providing assistance for M&A
 - Strategic support for the content industry and promotion of its overseas expansion, as well as support for hosting the 2026 Asian Games and Asian Para Games
- (3) **Building health and medical security**
 - Promoting the digital transformation in medical and long-term care services (encouraging the use of the My Number health insurance card; establishing a nationwide medical information platform)
 - Promoting “proactive preventive healthcare” and related initiatives; strengthening systems to prepare for next infectious disease crisis; and advancing reforms to the social security system
- (4) **Promoting investment in people**
 - Effective reskilling support for a wide range of workers, including those in non-regular employment
 - Developing talent capable of driving growth in future strategic fields
- (5) **Further promoting Japan as a leading asset-management center and developing the environment needed to expand growth investment**
 - Establishing Japan as a leading asset-management center (enhancing the NISA system); developing the environment needed to enhance corporate value; and advancing regulatory and institutional reforms

2 . Establishing food security

- (1) **Structural transformation of agriculture, forestry and fisheries**
 - Expanding farmland parcels and reorganizing, consolidating and rationalizing facilities for share use
 - Expanding production of items with high import dependency and securing production materials and related supplies
 - Developing human resources and supporting local communities; achieving a robust forestry sector; and strengthening the resilience of the fisheries industry
- (2) **Expanding exports of agricultural, forestry and fishery products, as well as food products**
 - Providing a range of support measures aimed at achieving the target of 5 trillion yen in exports of agricultural, forestry, and fishery products, and food by 2030

3 . Strengthening energy and resource security

- (1) **Building an economic and social structure resilient to rising energy costs**
 - Utilizing nuclear power and ensuring its safety
 - Promotion of resource development both domestically and internationally (including research and development for rare earth production in the waters around Minamitorishima Island)
- (2) **Promotion of GX (Green Transformation)**
 - Strengthening financial support to stimulate GX-related investment and creating GX markets (including promoting the purchase of electric vehicles)

4 . Promoting disaster prevention, mitigation, and national resilience

- (1) **Recovery and Reconstruction from Natural Disasters (including Noto)**

Recovery and reconstruction efforts following natural disasters, including the Noto Peninsula earthquake.
- (2) **Creating a Reiwa-era approach to national resilience.**
 - Advancing the First Mid-term Plan for the implementation of National Resilience.
 - Enhancing and reinforcing disaster-management capabilities with a view to the establishment of a Disaster Management Agency, and fundamentally improving living conditions in evacuation shelters.
- (3) **Development of secondary capital functions.**

Pillar 3: Strengthening Defense Capability and Diplomatic Power

1 . Diplomacy and responding to changes in the security environment

- (1) **Promoting Defence Buildup and improving the treatment and working conditions of Self-Defense Forces personnel.**
 - Enhancement of defense capability, strengthening of the defense industrial base, and improvement of SDF personnel treatment, including facility development.
- (2) **Development of multifaceted economic diplomacy and response to changes in the security environment**
 - Strengthening relations with its ally and like-minded countries, advancing cooperation with the Global South countries, maintaining and enhancing the high standards of the CPTPP and expanding its membership, as well as providing humanitarian assistance and recovery/reconstruction support to Ukraine and neighboring countries.

2 .Responding to U.S. tariffs

- (1) **Steady implementation of the Japan-U.S. Strategic Investment Initiative and related efforts.**
 - Steady implementation of the Japan-U.S. Strategic Investment Initiative (USD 550 billion / approx. JPY 80 trillion).
 - Fiscal measures for the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI).
- (2) **Support measures, such as financing assistance, for companies affected by tariffs.**
 - Interest rate reduction for safety net loans from institutions such as the Japan Finance Corporation (JFC).
 - Support for improving the productivity of small and medium-sized enterprises and small-scale-businesses, promoting capital investment, and continuing priority selection in subsidy programs.

Preparing for the future (reserving contingency funds)

To respond swiftly to unforeseen fiscal needs and ensure the safety and security of people's daily lives, additional reserve funds will be secured.