

Regarding the Comprehensive Economic Measures for Overcoming Price
Increases and Revitalizing the Economy

October 28, 2022
Cabinet Decision

The Attachment sets forth the Comprehensive Economic Measures for Overcoming
Price Increases and Revitalizing the Economy.

(Attachment)

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Overcoming Price Increases and
Revitalizing the Economy

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Chapter 1. The Government's understanding of the current state of the economy and its basic stance on economic measures

Japan's economy suffered a massive slump due to COVID-19 in the spring of 2020. The Government has since taken pinpointed measures in consideration of factors involved in the infectious disease. Led by the Government's With-COVID policy since early spring this year, social and economic activities are gradually getting normalized, with recovery observed in service consumption and other metrics.

Meanwhile, as the prices of energy, food, and other daily commodities are rising due to global hikes in the prices of raw materials on the back of Russia's invasion of Ukraine and the depreciation of the yen, there is concern that the decrease in nominal income and lower consumer sentiment will damp consumption, leading to a further decline in corporate earnings and resulting in slowdown in business investment among other negative impacts. Concerns over global recession are also growing, as seen in downward revisions made by one international organization after another to their outlook for global economy next year, with central banks in Europe emphasizing the stance to counter inflation and accelerating their tight monetary policies, as well as with, in China, the Zero-COVID policy being expected to take a toll in its economy in addition to downturn in the real estate market.

As described so far, circumstances surrounding the Japanese economy are becoming more and more severe. The Government commits itself not only to providing solid support for the livelihoods of citizens and business activities in Japan so that its economy will survive, but also to taking it to a higher level of performance toward sustainable growth. The commitment calls on the Government to take comprehensive measures, under the slogan of a "New Form of Capitalism," with a focus on "addressing price hikes and the depreciation of the yen," "bringing a structural increase in wages," and "promoting investment and reform needed for growth."

(Addressing price hikes and the depreciation of the yen)

Prices are soaring around the world. In Japan, the depreciation of the yen is another factor, in addition to higher import prices, behind the current cost-push inflation mainly in energy and food prices. In order to tackle the surge in the prices of daily necessities, the Government developed the "Comprehensive Emergency Measures (for the time of COVID-19) to Address Soaring Crude Oil and Commodity Prices"¹ in April 2022 and has responded with mobility to the situation through the use of contingency funds depending on the state of commodity prices and the economy. As electricity prices are likely to be raised in the spring of 2023, however, the Government needs to adopt drastic measures for directly mitigating the economic impact on households and the burden of businesses with no means for price pass-through in order to prevent slowdown in consumption and investment that would otherwise put the brakes on economic upturn. The Government takes forward-looking and effective measures seamlessly and nonstop,

¹ Approved at a cabinet meeting held on April 26, 2022, on matters concerning soaring crude oil and commodity prices.

in addition to those hitherto taken, and protects the livelihoods of citizens and business activities against the current inflation.

Japan's high dependence on overseas fossil fuels and other resources has long resulted in income drain from the country whenever challenged by hikes in import prices. In order to overcome such vulnerability of the country's economy and transform its structure into something more resistant to energy and food crises, the Government drastically intensifies its efforts to reduce energy consumption on the part of households and businesses, maximizes the use of zero-emission sources of power, reduces the use of chemical fertilizers, and promotes the domestic production of fertilizers, fodder, cereal crops, and the like.

At the same time, the Government pushes forward with strong policies that take the best advantage of the currency depreciation and share its benefits with citizens. In order to revitalize local economies, the Government revamps demand in the industries that have suffered a slow recovery from the pandemic, including the one for inbound and domestic tourism and other recreation activities. With recent changes in international political and economic affairs making it imperative to realign supply chains, Japan is more and more expected by overseas countries to serve as their supplier of strategic articles, such as semiconductors and batteries. Now that a weak yen has significantly improved the cost feature of Japan as an industrial location, the Government enhances, with momentum, the country's capacity to produce such articles and expand their export volume. The Government also promotes the export of agricultural, forestry, and fishery products and provides strong support for SMEs to foray into overseas markets beyond their local regions. By taking those measures that capitalize on the depreciation of the yen, the Government seeks to strengthen the country's economic structure.

(Bringing a structural increase in wages)

The best remedy for the current inflation is a continuous increase in wages that sufficiently offsets hikes in prices. It is particularly important to make such wage increase movement reach SMEs, because they employ some 70% of workers. The Government intensifies its support for SMEs that venture to increase their employee wages despite tough business conditions, apart from promoting their price pass-through. For the wage increase movement to continue and grow, the Government seeks to realize a "structural increase in wages," in other words a structure that enables companies to hire highly-skilled workers through pay rise and thereby improve productivity and raise wages again thanks to the higher productivity. In tackling the imperative to raise wages, the Government also seeks to bring higher mobility to labor reallocation and promotes larger investment in people, as the time of escalating inflation calls for the integrated reform of these three.

(Promoting investment and reform needed for growth)

Putting the Japanese economy on the track for a higher level of performance and sustainable growth requires discontinuous green and digital innovations that will help resolve social issues, in addition to a New Form of Capitalism with a capability to use such innovations as an engine for growth. The Government therefore accelerates its public investment with a particular focus on the four domains of science/technology/innovation,

startups, GX (green transformation), and DX (digital transformation) and uses that acceleration as a stimulant to give rise to large scales of private investment. The Government also aggressively pushes forward with its regulatory and institutional reform agenda and thereby prompts the renewal of the country's systems, including its economic and social structures.

Based on the understanding as described so far and in light of the eminent global recession risk, the Government has developed these Comprehensive Economic Measures herein. Through the measures, the Government seamlessly addresses changes in economic circumstances, including the recent inflation, and accelerates the “New Form of Capitalism” and revitalizes the economy. The measures are designed to use all policy instruments available, such as budget and taxation as well as regulatory and institutional reforms, and built on the following four pillars.

(Pillar I. Addressing inflation and raising wages)

By adopting drastic measures of the first kind with a focus on the major factor behind inflation, the Government protects the livelihoods of citizens and business activities in Japan. To be more specific, the Government tackles hikes in energy and food prices, with a primary focus on the former, as electricity prices are likely to soar in the spring of 2023. The Government takes measures that will directly mitigate the impact of higher electricity prices on households and on businesses that have no means for price pass-through. Moreover, the Government reduces Japan's degree of dependence on overseas fossil fuels, raw fertilizers, and food and thereby seeks to transform Japan's economic structure into one that will withstand energy and food crises. To be more specific, the Government maximizes the use of zero-emission power sources, drastically intensifies its support for energy-saving investment, and strongly promotes the domestic production of fertilizers and agricultural products among other goods. The Government also promotes a general increase in wages through all possible means, such as: further incentive intensification for pay rise in a subsidy program for SMEs; stricter execution of the “Anti-Monopoly Act”² and the “Subcontract Act”³ with an eye to embedding price negotiation and price pass-through as regular trade practices; the thorough observance of the principle for equal pay for equal work; and the redress of wage discrepancies between men and women.

(Pillar II. Recovery and Reinforcement of Local “Profitability” Utilizing the Depreciation of the Yen)

Following the recent easing of the COVID-19 border control measures, the Government launches campaigns to strategically promote Japan's tourism and seeks to give extra value to the industry and thereby seeks to revive the inbound demand of five trillion yen that has been lost due to the pandemic. The Government also stimulates demand for domestic tourism and other recreation, besides promoting culture, arts, and sports, in order to recover demand for all those activities to pre-pandemic levels and revitalize local economies. The Government realigns Japan's supply chains for strategic articles such as semiconductors and batteries to enhance the country's capacity to provide such articles for overseas countries and meet their expectations in Japan as their supplier. Also as a

² Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947)

³ Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Act No. 120 of 1956)

measure for strengthening the country's capacity for domestic supply and increasing the volume of exports, the Government provides drastic support for Japanese companies to make inward and "offensive investment" and construct new production sites in Japan or return their production sites back to Japan, apart from seeking to increase direct investment in Japan from foreign companies. Moreover, the Government strengthens Japan's economic structure by drawing overseas demand for Japanese agricultural, forestry, and fishery products. In order to increase the country's export of such products, the Government establishes producers who specialize in export products, introduces a system to support their export, and increases the volume of exports from SMEs through measures such as close-following expert support and alignment with export houses.

(Pillar III. Accelerating the "New Form of Capitalism")

Since people is the driving force for discontinuous innovation, the Government collaborates with the private sector to promote investment in reskilling and in growing areas and thereby seeks to bring a structural increase in wages and strengthen Japan's power for growth. To be more specific, the Government drastically reinforces public support for investment in people by increasing the support package to a level of one trillion yen for the next five years and implements reforms in the labor market, including a shift from the currently-dominant seniority-based wage system to a performance-based wage system that will fit in the Japanese workplace culture, apart from seeking to upgrade the skills of workers and strongly promoting their migration to growing areas. Furthermore, the Government promotes, among other measures, the realignment of faculties at universities and technical colleges, with a view to luring students to digital, green, and other growing areas beyond the boundary between liberal arts and sciences. Moreover, the Government develops and implements a "Doubling Asset-based Income Plan" to divert cash and deposits owned by individuals to investment and thereby seeks to create a virtuous cycle in which the benefits of higher enterprise values keep reaching household accounts in addition to higher wages.

The Government joins hands with the private sector to make bold investment in growing areas. To be more specific, the Government accelerates public investment in the four domains of science/technology/innovation, startups, GX, and DX as a stimulant to attract larger private investment.

Ahead of the "Startup Development Five-Year Plan," the Government enhances the supply of funds aimed at supporting startups to secure human resources and build networks which are key factors in the start-up phase, and also aimed at helping them grow their business, apart from promoting the diversification of their business deployment and exist strategies.

The Government provides support for scientific and technological research that will directly benefit the national interest, and reinforces local core universities and others involved in distinctive studies, apart from enhancing support aimed at developing young researchers.

The Government develops a 10-year roadmap on GX. Moreover, ahead of the launch of the roadmap, the Government implements some economic growth measures as part of governmental investment based on the roadmap, all the while considering the necessity of tackling the current hike in energy prices. Such measures will include those aimed at

decarbonization and others designed for the innovation of technologies that will prompt economic growth and higher inward investment.

Apart from enhancing Japan's capacity to supply cutting-edge semiconductors and promoting strategic investment in the development of the technology to produce next-generation semiconductors among other state-of-the-art technology, the Government turns the "Vision for a Digital Garden City Nation" into reality, intensifies the efforts to promote the "My Number Card" and improve its user-friendliness, and drives forward DX in the fields of medical care, nursing care, and education.

Toward the resolution of social issues, the Government increases support for children and families with small children as well as drives forward initiatives aimed at creating an inclusive society, such as those for empowering women and tackling loneliness and isolation. The Government also continues to implement the package of measures for providing close-following practical and financial support throughout the period from pregnancy to child-bearing and then to child-rearing with a focus on newborns aged 0 to 2 years for whom support has been lax.

(Pillar IV: Ensuring the safety and security of citizens)

In order to enable social and economic activities to be done in a manner as close as possible to the pre-COVID time in accordance with the With-COVID policy, the Government strengthens Japan's medical care system and intensifies its capability to respond to infectious disease, including the development and practical use of remedies. In order to protect the lives of citizens and their property from natural disasters that have been occurring at an increased rate and scale as well as from antiquated infrastructures, etc., the Government continues to promote initiatives based on the "Five-Year Acceleration Measures for Disaster Prevention, Disaster Mitigation, and Building National Resilience"⁴ and goes forward with the consideration on the next-term basic plan to implement additional initiatives. The Government continues to commit itself to reconstruction after the Great East Japan Earthquake and other earthquakes and to recovery and reconstruction after other natural and non-natural disasters. Besides driving forward initiatives designed to respond to changes in the diplomatic and security environment surrounding Japan, the Government seeks to strengthen the country's economic security by providing support for the stable supply of important articles and for the development of important technologies. The Government also seeks to replace overseas-sourced production materials with alternatives, reduce the use of such materials, increase the domestic production of foodstuffs, many of which have been imported, and expand the use of domestic-produced foodstuffs, all in order to strengthen the country's food security. Moreover, the Government works with the private sector in the R&D and infrastructure improvement fields to establish a system that will strengthen the country's security in a comprehensive manner. The Government also works on measures for ensuring the safety of children.

The Government increases the amount of the "Contingency Funds for Preparedness against COVID-19 and Steep Rises in Crude Oil Prices and the Cost of Living" in order to keep the country well-prepared for the spread of the coronavirus and for inflation.

⁴ Approved by the cabinet on December 11, 2020.

Moreover, as concerns over global recession are mounting, the Government newly establishes the “Contingency Funds for Economic Preparedness in Light of the Situation in Ukraine (working title)” in order to enable flexible and resilient response to a possible economic crisis that might occur due to a change in the situation in Ukraine or in other international affairs or that might be triggered by a major cold wave or other disaster.

The Government promptly formulates the second supplementary budget for fiscal 2022 that endorses these Comprehensive Economic Measures based on which those funds are to be used, and makes every effort toward early passage of the budget. In formulating the second budget, the Government makes good use of the current interest rate and aggressively resorts to means in place for the fiscal investment and loan program in order to use all policy instruments available, such as regulatory and institutional reforms as well as taxation revisions, and thus achieve the intended comprehensiveness for these Comprehensive Economic Measures. The Government also works to redress issues associated with the single-fiscal year formula adopted for the country’s fiscal administration.

The Government continues to share its understanding of the state of the Japanese economy and closely works with the Bank of Japan to achieve a proper policy mix of fiscal and monetary policies. The Government expects the Bank of Japan to pay due attention to the influence of changes in the money and capital markets and use its monetary policy adequately for the purposes of achieving the price stability target and maintaining the stability continuously and stably.

Chapter 2. Specific measures aimed at revitalizing the economy

I. Addressing inflation and raising wages

1. Support for citizens and businesses in a difficult time due to hikes in energy and food prices

In order to address the recent inflation problem, the Government has been taking flexible and multi-layered measures, including those focused on holding down energy and food prices and supporting households with low income that have been hit the hardest.

The Government has held down the soaring gasoline price to be around 170 yen when it would have otherwise hit around 200 yen. The Government continues to implement the measure designed to mitigate steep rises until the end of the first half of fiscal 2023. More precisely, the Government implements the measure, while gradually adjusting the upper limit on the grant, for the period from January until the end of May 2023 as well, and then in June 2023, starts reducing the grant in phases, all the while strengthening the country's preparedness against the risk of price escalation⁵.

In September 2022, the Government used contingency funds and others to adopt additional measures for providing a “push-type” cash handout⁶ for households with low income and providing a grant, etc., that can be flexibly used at the discretion of the local government for the purpose of reducing the burden of electricity and gas prices on consumers⁷. The Government, together with local governments, continues to provide prompt and detailed support for all municipalities through the temporary grant for regional revitalization and other programs.

During the first half of fiscal 2023, the Government takes a bold measure in an unprecedented manner in order to directly mitigate the impact of an electricity price hike likely to occur in the spring of 2023 on households and on businesses with no means for price pass-through. This measure is to be taken through the use of monthly bills issued by electricity retailers. The measure provides a higher amount of support for households than businesses⁸. To be more specific, the Government practically shoulders an average increase in electricity fees that is expected in the beginning of fiscal 2023. The Government shrinks, however, the amount of the support in September 2023 to ensure that the measure will not run counter to the efforts for decarbonization. All the while, the Government drives forward a structural reform on the electricity market, in tandem with promoting the saving and recycling of energy and the use of nuclear power, and thereby accelerates GX. The Government initiates the structural reform project in the spring of

⁵ The subsidiary rate for the portion of 25 yen or less is to be lowered gradually, while the rate for the portion of more than 25 yen is to be raised step by step.

⁶ Emergency Support Grant to Tackle Hikes in Electricity, Gas, and Food Prices (854 billion yen)

⁷ Special Grant for Local Governments to Tackle Hikes in Electricity, Gas, and Food Prices (600 billion yen)

⁸ For low-voltage service users such as homes, a support of 7 yen per kWh (approx. 20% of the current bill) is to be provided; for high-voltage service users such as corporate enterprises, a support covering the FIT surcharge (3.5 yen per kWh) is to be provided.

2023 and implements it as soon as practicably possible, ideally in January 2024.

The Government takes an appropriate measure for addressing an increase in the urban gas prices, while giving consideration to the price hike trend, the business structure, and a balance with the support for electricity bills. To be more specific, the Government provides homes and businesses with support of an amount corresponding to an increased burden due to raised urban gas prices⁹. As for LPG, the Government takes measures that will help prevent the price from rising, such as one for streamlining the distribution process.

For a standard household¹⁰, all these measures for mitigating the impact of steep rise in electricity, urban gas, and fuel oil prices will reduce the burden of 45,000 yen in total for the period from January to September 2023.

The Government has also taken measures to tackle increases in food prices, including the deferment of the government resale price for export wheat and a measure designed to hold down an increase in the cost of compound feeds. In addition to these measures, the Government continues to take measures aimed at controlling hikes in food prices and others deemed necessary to mitigate impact on business management in the agriculture, forestry, and fishery sector. The Ministry of Agriculture, Forestry and Fisheries intensifies its initiatives for food loss reduction and provides support for food banks that offer groceries to *Kodomo Shokudo* (children's cafeterias), etc., apart from supporting the *Kodomo Takushoku* program (for delivering food, etc., for needy families with children) and arranging places for *Kyoshoku* (sharing meals). The Ministry joins hands with other relevant ministries and agencies to provide food support for citizens in need. Moreover, the Government provides, via food banks, government-reserve rice for *Kodomo Shokudo*, etc., for free of charge.

For SMEs that have been finding themselves in a difficult time due to the pandemic coupled with the recent inflation, the Government enhances its refinancing program and also supports their financing through measures such as requesting public and private financial institutions to make flexible change to their terms.

The Government continues to properly, timely, and flexibly use contingency funds if it unexpectedly finds the budget to be short for necessary expenditures due to inflation. NHK is considering cutting the viewing fee by 10% or more in October 2023. The Government properly responds to it according to the Broadcasting Act¹¹.

- Measures for mitigating steep rises in electricity prices (Ministry of Economy, Trade and Industry)
- Measures for mitigating steep rises in gas prices (Ministry of Economy, Trade and Industry)
- Subsidy for streamlining petroleum gas distribution toward retail price reduction (Ministry of Economy, Trade and Industry)
- Subsidy for promoting the introduction of petroleum gas facilities toward retail price

⁹ A support of 30 yen per m³ is going to be provided for homes and for other users such as businesses using an urban gas service for less than 10 million m³ per year.

¹⁰ A standard household is a household with two or more people that on a monthly basis uses 400 kWh of electricity, 30 m³ of gas, 35 L of gasoline, and 15 L of heating oil.

¹¹ Act No. 132 of 1950.

- reduction (Ministry of Economy, Trade and Industry)
- Project to mitigate steep rises in fuel oil prices (Ministry of Economy, Trade and Industry)
 - Project to mitigate steep rises in fuel prices for taxi operators (Ministry of Land, Infrastructure, Transport and Tourism)
 - Project to create safety nets for fishery businesses (Ministry of Agriculture, Forestry and Fisheries)
 - Measures against hikes in horticulture fuel prices (Ministry of Agriculture, Forestry and Fisheries)
 - Emergency measures against hikes in feed compound prices (Ministry of Agriculture, Forestry and Fisheries)
 - Emergency measures for food loss reduction and for supporting food banks, and promotion of food and nutrition education (Ministry of Agriculture, Forestry and Fisheries)
 - Support project for the development of local networks for children’s future (Grant for Supporting Children’s Future) (Cabinet Office)
 - Joint model project with NPOs to support the creation of places for children (Ministry of Health, Labour and Welfare)
 - Emergency support benefits for tackling hikes in electricity, gas, and food prices (Cabinet Office)
 - COVID-19 temporary subsidy for regional revitalization (Cabinet Office)
 - Financing support by Japan Finance Corporation and others (Ministry of Finance, Cabinet Office, Ministry of Economy, Trade and Industry, Financial Services Agency, Ministry of Health, Labour and Welfare, and Ministry of Agriculture, Forestry and Fisheries)
 - Subsidy for promoting the conservation of specified populated remote territorial island areas and local communities (Cabinet Office)
 - Research and enlightenment on products related to daily living, utility charges, etc. (Consumer Affairs Agency)
 - Publicity concerning the government’s key policies, including measures against price hikes (Cabinet Office), etc.

2. Making the economic structure more resistant to energy and food crises

(1) Establishing a secure and resilient energy supply system

Disruption in energy markets around the world and international insecurity in energy supply in the wake of Russia’s invasion of Ukraine have been a reminder that Japan needs to strengthen its energy supply and security. Hikes in energy prices, coupled with the depreciation of the yen, have raised import prices, resulting in the outflow of income from the country on one of the largest scales ever.

In order to stably secure energy resources, the Government must make the economy less vulnerable to influence from international affairs or any state of international merchandise markets. By drastically intensifying measures aimed at saving energy consumption on the part of businesses and homes as well as maximizing the use of

zero-emission energy resources, the Government reduces the country's dependence on overseas fossil fuels and establishes an energy supply system that is more secure and resilient against an energy crisis.

As a key measure for the immediate future, the Government heightens its involvement in the procurement of LNG. To be more specific, the Government supports securing strategic surplus stock while it reinforces its alignment with Asian countries.

In order to drastically intensify energy-saving efforts and investment on the part of businesses and homes, the Government imposes restrictions in an integrated manner with support measures. For the next three years, the Government provides intensive support for SMEs, in particular, to unearth their potential demand for energy-saving investment in such a manner that the support will match their multi-year investment plan. Meanwhile, the Government intensifies its support for households to reduce their energy consumption through measures such as renovating one's house to improve the thermal insulation performance and introducing a high-efficiency water heater.

For the purpose of making renewables a core power source and achieving power system stability at the same time, the Government works on the output stabilization of renewables through measures such as installing batteries next to renewable-based power generation systems, installing grid-scale batteries, and increasing the Demand Response capacity. Toward the end of 2022, the Government accelerates expert discussions on, among other topics, the resumed operation of a dozen nuclear power plants and the development and construction of next-generation innovative furnaces.

- Initiative for LNG supply stabilization (Ministry of Economy, Trade and Industry)
- Project to rebuild the service station sector and strengthen its business operations (Ministry of Economy, Trade and Industry)
- Subsidy for streamlining petroleum gas distribution toward retail price reduction (Ministry of Economy, Trade and Industry) [Afore-cited]
- Subsidy for promoting the introduction of petroleum gas facilities toward retail price reduction (Ministry of Economy, Trade and Industry) [Afore-cited]
- The project "Support for High-efficiency Installations for Facilities with Targets (SHIFT)" (Ministry of the Environment)
- Enhancement of subsidies for renewing energy-saving facilities and diagnostics (Ministry of Economy, Trade and Industry)
- Project to support the introduction of user-led solar power generation and a battery for use with renewable-based power generation (Ministry of Economy, Trade and Industry)
- Support for the introduction of decentralized energy resources toward wider introduction of renewables (Ministry of Economy, Trade and Industry)
- Promotion of community decarbonization and the introduction of renewables (Ministry of the Environment)
- Support designed for metal and plastic recycling facilities to develop, verify, and introduce technology and aimed at enhancing the country's resource circulating system (Ministry of Economy, Trade and Industry; Ministry of the Environment)
- Project to promote private sector efforts toward transition to renewables and resilience enhancement (Ministry of the Environment)

- Project to Accelerate Home Renovation for Heat Insulation (Ministry of the Environment)
- Project to Promote the Introduction of Cutting-Edge Equipment for Housing Heat Insulation Performance, etc. (Ministry of Economy, Trade and Industry; Ministry of the Environment)
- Project to Promote Household Energy Saving through the Introduction of High-Efficiency Water Heaters (Ministry of Economy, Trade and Industry)
- Project to Support the Introduction of High-Performance Ventilation Systems for the Decarbonization and Higher Resilience of Architectural Structures and Turn them into Net Zero Energy Buildings (Ministry of the Environment)
- Support for the Intensive Introduction of Electric Vehicles for Business-Use Cars (Ministry of Land, Infrastructure, Transport and Tourism)
- Promoting the Sharing of Electric Vehicles and Energy Saving (Ministry of the Environment)
- New Support System concerning the Stocking of Energy Saving Housings in the Time of Inflation (working title) (Ministry of Land, Infrastructure, Transport and Tourism)
- Review of the Regulations Governing Fast Chargers and Lithium Ion Batteries toward the Popularization of Electric Vehicles (Cabinet Office)
- Intensification of Diplomatic Efforts Aimed at Promoting Economic Security Contributing to Energy Security, etc. (Ministry of Foreign Affairs), etc.

(2) Establishing a secure and resilient food supply system

Ensuring stable food supply is one of any nation's most fundamental duties. The recent situation in Ukraine has been a reminder about the importance of stable food supply besides that of energy sources. Japan is highly reliant on overseas countries for crops such as wheat and soybeans, fodder, and fertilizer materials. Therefore, hikes in the prices of raw materials indispensable for agricultural and food production, or the disruption of the supply thereof, can pose a threat to stable food supply for citizens, significantly affecting their livelihoods and the country's economy.

By promoting the domestic production of fertilizers, fodder, and crops, the Government makes Japan's food supply system more secure and resilient against a food crisis.

The Government seeks to reduce chemical fertilizer use and stockpile fertilizer materials. With a view to increasing the use of farmyard compost and sewage sludge as fertilizers, the Government sets up a new system to urge alignment among livestock farmers, fertilizer makers, and crop farmers, as well as support them to upgrade their facilities and make use of soil tests. The Government also sets up a new system to support alignment between rice growers and livestock farmers for the purposes of increasing Japanese-made fodder and promoting the use thereof.

In order to increase the domestic production of soybeans and wheat and secure the stable supply thereof, the Government supports the introduction or improvement of needed facilities, strongly encourages rice growers to turn their paddies into fields, and supports facility investment aimed at popularizing rice flour. Moreover, the Government takes measures to urge food products manufacturers to use domestically-produced raw materials.

The Government also urges seafood manufacturers to use domestically-produced raw materials as well as promotes the domestic production of fish flour for aquaculture.

- Measure for increasing the use of domestic fertilizer resources (Ministry of Agriculture, Forestry and Fisheries)
- Measure for stockpiling fertilizer materials (Ministry of Agriculture, Forestry and Fisheries)
- Emergency measure project for the Green Food System Strategy (Ministry of Agriculture, Forestry and Fisheries)
- Promoting the use of sewage sludge as fertilizer (Ministry of Land, Infrastructure, Transport and Tourism)
- Technology development and verification aimed at promoting the distribution of pellet compost and the use of sewage sludge as fertilizer resources (Ministry of Agriculture, Forestry and Fisheries; Ministry of Land, Infrastructure, Transport and Tourism)
- Comprehensive emergency measures for improving the fodder self-efficiency rate (Ministry of Agriculture, Forestry and Fisheries)
- Project to equalize the supply of specified aquatic products (Measures for transition to alternative raw materials) (Ministry of Agriculture, Forestry and Fisheries)
- Project to take comprehensive emergency measures aimed at strengthening the aquaculture sector (Ministry of Agriculture, Forestry and Fisheries)
- Project to power up infrastructure for domestic production (Ministry of Agriculture, Forestry and Fisheries)
- Comprehensive measures for enhancing the supply of Japanese-produced wheat and soybeans (Ministry of Agriculture, Forestry and Fisheries)
- Project to turn rice paddies into fields (Ministry of Agriculture, Forestry and Fisheries)
- Measures for supporting the wider use of rice flour (Ministry of Agriculture, Forestry and Fisheries)
- Project to take measures for stabilizing the procurement of raw materials for food products (Ministry of Agriculture, Forestry and Fisheries)
- Measures for supporting the production of special forest products (Ministry of Agriculture, Forestry and Fisheries), etc.

3. Promoting a continuous increase in wages and supporting SMEs

In order to achieve the goal of creating a virtuous cycle of continuous growth and distribution through measures aimed at realizing the “New Form of Capitalism” and to thereby form a thick middle class, it is essential that wages keep increasing on a short, medium, and long-term basis.

In the 2023 Spring Labor Offensive, amid cost-push inflation, labor unions will target a wage increase making up for price hikes, and the Government puts its full effort to back up the negotiation. The Government also provides support for SMEs to improve their productivity and endorses them to pass on costs to prices.

In order to achieve a medium-to-long-term structural wage increase based on Chapter III “Accelerating the New Form of Capitalism” herein, the Government promotes bold

investment in growing areas and thereby seeks to give rise to highly-productive and high-paying industries and companies, while simultaneously taking measures to encourage smooth labor reallocation to such areas and intensify investment in people.

(1) Promoting an increase in wages

In order to strongly promote a continuous increase in wages that keeps pace with price hikes, the Government significantly enhances its support for pay rise, all the while taking other measures aimed at supporting SMEs to rebuild their businesses and improve productivity, apart from promoting the tax credits for salary growth whose scope was expanded in this fiscal year. The Government also gives priority, when conducting its procurement, to companies that by then will have raised their employee wages.

In tandem with all the efforts, the Government seeks to fundamentally improve working conditions for non-regular workers. To be more specific, apart from reinforcing its call for the observance of the principle of equal pay for equal work, the Government seeks to raise the national weighted average of minimum wages to stand at 1,000 yen or higher as early as possible, all the while considering economic performance, price behavior, and regional gaps.

In light of the current hikes in the prices of construction materials, the Government encourages builders involved in public work projects to appropriately pass costs to prices. While keeping the volume of projects suitable for steady improvement in social and capital infrastructure, the Government ensures proper growth of earnings for those builders and thereby seeks to bring an increase in wages paid to construction workers.

The Government hopes that all these measures will lead employers to discuss pay rise making up for price hikes with their labor unions in the Spring Labor Offensive (wage negotiations between employers and labor unions) in 2023.

- Project to encourage SMEs to rebuild their businesses (Ministry of Economy, Trade and Industry)
- Project to promote SMEs to upgrade their productivity (Ministry of Economy, Trade and Industry)
- Expansion of the subsidy for business operation improvement (Subsidy for companies to raise their minimum wages) (Ministry of Health, Labour and Welfare)
- Expansion of the subsidy for promoting and supporting Work Style Reform (Increase in the preferential scores given to companies that have raised wages) (Ministry of Health, Labour and Welfare)
- Request and support via the Labour Standards Inspection Office for companies to raise wages (Ministry of Health, Labour and Welfare)
- Publicity concerning support measures aimed at increasing wages and the dissemination of successful examples (Ministry of Health, Labour and Welfare)
- Efforts to more thoroughly implement the principle of equal pay for equal work (Ministry of Health, Labour and Welfare)
- Implementation of public work projects based on the current hikes in the prices of construction materials (Ministry of Land, Infrastructure, Transport and Tourism), etc.

(2) Setting the stage for SMEs to increase wages

(i) Making it easier for SMEs to pass on costs to prices

In tandem with the above-mentioned measures for promoting an increase in wages, the Government sets the stage for SMEs to secure a capital source needed to raise wages by enabling SMEs to duly pass on increases in the costs for labor, raw materials, energy, etc., to prices.

More precisely, the Government enhances the functions of the Japan Fair Trade Commission among other bodies, and discloses, in accordance with the Anti-Monopoly Act, the names of business operators who refuse to accept price increases sought by suppliers. Moreover, the Government enforces the Anti-Monopoly Act and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors more strictly than before and issues an order, warning, or recommendation in response to a case that runs afoul of those Acts. The Government also expands the scope of guidance and advice that is to be given to large procuring enterprises based on the “Months for Promoting Price Negotiations” initiative as well as expands the scope of disclosure with a view to heightening the effectiveness of such guidance and advice. The Government also seeks to enhance the negotiation skills of SMEs, in addition to promoting the “Partnership Declaration” initiative.

- Promotion of proper practice of bargaining with SMEs through enhanced law enforcement (Investment in a system used in screening of breaches with the Anti-Monopoly Act) (Japan Fair Trade Commission)
- Efforts to more thoroughly implement the principle of equal pay for equal work (Ministry of Health, Labour and Welfare) [Afore-cited]
- Project on transaction measures for SMEs (Survey, etc., on SME price pass-through) (Ministry Economy, Trade and Industry)
- Publicity on proper fare collection concerning truck transportation, coastal shipping, and warehousing operators and aimed at reflecting price increases in fuels, etc., and the promotion of practice based on laws and regulations, etc. (Ministry of Land, Infrastructure, Transport and Tourism)

(ii) Increasing added value created by SMEs

In order to increase added-value which serves as a capital source for SMEs to raise wages, the Government provides seamless, flexible, and continuous strong support for SMEs over the several fiscal years to rebuild their businesses, improve productivity, and smoothly pass down the business to the next generation, all the while helping them adapt to new business circumstances, such as digital and green elements as well as COVID-19 and inflation.

The Government also takes measures aimed at helping SMEs introduce the qualified invoice-based method.

The Government provides financing support for businesses that have been in a difficult time due to the pandemic or inflation. Moreover, the Government supports SMEs with a debt that has increased due to the pandemic to improve their earning

power or provides them with debt relief, etc., and thereby helps them revitalize their business or challenge a new thing and eventually overcome the excessive debt and pave a way for the future. The Government establishes a new credit-guarantee system that meets demands for refinance as well as for new capital sources, apart from facilitating the process of financing by permitting transition to capital funds (subordinated loans). The Government collects and disseminates knowledge and knowhow on business revitalization and provides focused support for local transportation services, etc. By the end of 2022, the Government develops measures aimed at establishing new practices for lending money that do not rely on personal guarantee.

- Project to encourage SMEs to rebuild their businesses (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to promote SMEs to upgrade their productivity (Ministry of Economy, Trade and Industry) [Afore-cited]
- Expansion of the subsidy for business operation improvement (Subsidy for companies to raise their minimum wages) (Ministry of Health, Labour and Welfare) [Afore-cited]
- The Councils for Revitalizing SMEs, and project to comprehensively support business succession (Ministry of Economy, Trade and Industry)
- Project to provide flexible support according to changes in the business environment (Ministry of Economy, Trade and Industry)
- Financing support by Japan Finance Corporation and others (Ministry of Finance, Ministry of Economy, Trade and Industry, Cabinet Office) [Afore-cited]
- New credit-guarantee system for reducing the burden of debt repayments to the zero-zero loans provided by private financial institutions (Ministry of Economy, Trade and Industry)
- Project to provide support by specified support agencies for the development of management improvement plans (Ministry of Economy, Trade and Industry)
- Enhanced smooth supply of funds for local builders in consideration of hikes in the prices of construction materials, etc. (Ministry of Land, Infrastructure, Transport and Tourism)
- Project to advance the level of support for businesses having a transaction with local financial institutions (Collection and dissemination of knowledge and knowhow by Regional Economy Vitalization Corporation of Japan (REVIC), establishment of a taskforce specializing in support for local transportation services, and as-needed-based reinforcement of functions such as the expansion of a government-backed borrowing facility) (Financial Services Agency), etc.

II. Recovery and Reinforcement of Local “Profitability” Utilizing the Depreciation of the Yen

1. Restoring demand lost due to the pandemic and revitalizing local economies

The COVID-19 pandemic has had a hard impact on the tourism industry, among other industries, that used to be the cornerstone of local economies. Following the recent easing of the COVID-19 border control measures, the Government drives forward measures aimed at restoring the status of Japan as a tourism-oriented country and bringing its benefits to citizens. In the pursuit of these aims, the Government makes the best advantage of the recent depreciation of the yen. The Government also commits itself to revitalizing local economies and developing a sustainable economy and society. To that end, the Government provides support for the eating-out industry, promotes culture, arts, and sports, improves infrastructure, energizes the agriculture, forestry, and fishery sector, and develops communities.

(1) Restoring the status of Japan as a tourism-oriented country

The Government aims to quickly achieve an annual amount of inbound tourist consumption exceeding five trillion yen and, to that end, promotes an intensive policy package. The Government also develops a new “Basic Plan for the Promotion of Japan as a Tourism-Oriented Country” by the end of fiscal 2022, with a focus on reviving the country’s tourism industry and making it sustainable by the year 2025, when EXPO is to take place in Osaka, Kansai.

Apart from providing systematic and continuous support for initiatives aimed at reviving and giving extra value to the country’s sightseeing spots and tourism industry, the Government seeks to make such areas and industry more profitable by, among other measures, increasing tourists who stay in Japan for a long period of time, who repeatedly come to the country, and who spend one million yen or more per visit to the country. The Government supports the development of sustainable tourism destinations and the attraction enhancement of tourism resources that are conducted in such a way to strike a balance with the conservation of the local nature and culture. The Government also launches strategic promotional campaigns aimed at luring tourists to Japan, besides supporting the creation and global dissemination of tourism content showcasing special local experiences. Moreover, the Government promotes the use of the tax exemption program among foreign tourists. Meanwhile, in preparation for full-scale recovery of inbound tourism, the Government improves the country’s tourism infrastructure so it will be properly put in place for foreign tourists. In order to revitalize domestic tourism, the Government steadily continues to implement the National Travel Assistance Program and other measures aimed at raising demand for domestic tourism from people living in Japan.

- Joint local endeavor for revitalizing and giving additional value to sightseeing spots and the tourism industry (Ministry of Land, Infrastructure, Transport and Tourism)
- Intensive efforts, etc., aimed at restoring inbound demand on a full scale (Ministry of

Land, Infrastructure, Transport and Tourism)

- Project to lure inbound tourists to rural regions and to support the creation of tourism content aimed at increasing consumption (Ministry of Land, Infrastructure, Transport and Tourism)
- Project to promote the overseas deployment of the Japanese content industry and strengthen its infrastructure (Ministry of Economy, Trade and Industry)
- Improvement of national park facilities, etc., to make the parks more attractive destinations (Ministry of the Environment)
- Emergency measure project for getting tourism spots ready to receive foreign tourists (Ministry of Land, Infrastructure, Transport and Tourism)
- Realization of proper immigration and residence control (Improvement of the immigration check system, etc., in preparation for the recovery of the inbound demand), and secure implementation of the quarantine system (Ministry of Justice; and Ministry of Health, Labour and Welfare), etc.

(2) Revitalizing local economies

Likewise for the tourism industry, the Government takes measures to restore demand in other industries that have also been significantly affected by the pandemic. For the eating-out industry and environmental health-related businesses, the Government supports their forward-looking initiatives such as new services. Apart from seeking to raise demand by providing support for entertainment and other recreation events, including those held by shopping district associations, the Government takes measures for supporting local businesses, such as human resource match-making via local financial institutions, etc.

In order to realize the development of Japan as a culture-and-arts-oriented country, the Government supports cultural and art activities and promotes the creation of opportunities for children to appreciate cultural and artistic works and experience such activities. Apart from supporting wider and deeper dissemination of Japanese culture, etc., the Government makes strategic use of the country's outstanding cultural treasure, traditional events, cultural facilities, and other cultural resources, with a view to giving rise to a virtuous cycle of regional culture and economic revitalization. Also, in order to realize the development of Japan as a sports-oriented country, the Government promotes sports through measures such as improving sports infrastructure and supporting smooth implementation of international sports competitions.

The Government also seeks to maintain and enhance production infrastructure for the agricultural, farming, dairy, and fishery industries. Moreover, the Government seeks to secure human resources who will work in those industries in the future, takes measures to prevent bird and animal damage, invigorates hilly and mountainous areas, supports startups providing agricultural support services, develops and verifies smart technologies, promotes the greening of society, and strengthens the country's capacity to supply wood materials while seeking a shift to Japanese-produced materials.

The Government supports initiatives aimed at rebuilding local public transportation networks into ones with higher sustainability and convenience. The Government also

strategically and systematically implements infrastructure projects aimed at improving daily life functions, besides promoting the development of disadvantaged areas, including the renewal of communities into compact, roomy, and vibrant ones as well as urban regeneration and redevelopment.

With an increase in national tax revenue, the Government increases the amount of local tax grants for fiscal 2022 and thereby facilitates local governments to implement projects pertaining to these Comprehensive Economic Measures and also take their own measures for revitalizing their local economies.

- Emergency support measures for business continuation in the eating-out industry (Ministry of Agriculture, Forestry and Fisheries)
- Business improvement support, expert consultation, and encouragement of digitalization for environmental health-related business proprietors (Ministry of Health, Labour and Welfare)
- Project to restore, via an umbrella organization (Art Caravan 2), demand for culture and arts activities and revitalize local economies (Ministry of Education, Culture, Sports, Science and Technology)
- Comprehensive package, including measures for providing children with firsthand opportunities to view cultural and artistic works (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the conservation of cultural treasure and the use thereof, and reinforcement of the functions of national cultural facilities (Ministry of Education, Culture, Sports, Science and Technology)
- Project to promote traditional events, etc., toward the revitalization of local economies (Ministry of Education, Culture, Sports, Science and Technology)
- Project to improve infrastructure for local sports club activities (Ministry of Education, Culture, Sports, Science and Technology)
- Project to prepare for large-scale international sports competitions (Ministry of Education, Culture, Sports, Science and Technology)
- Project to power up infrastructure for domestic production, and cluster farming project (Ministry of Agriculture, Forestry and Fisheries) [Afore-cited]
- Production system enhancement for sweetener resource and field crops (Ministry of Agriculture, Forestry and Fisheries)
- Measures for stabilizing fishery income, infrastructure reinforcement for fishery cooperatives, and enhancement of the fishery industry's competitiveness (Ministry of Agriculture, Forestry and Fisheries)
- Securement of human resources for the agriculture and fishery industries (Ministry of Agriculture, Forestry and Fisheries)
- Subsidy for comprehensive measures aimed at preventing bird and animal damage (Ministry of Agriculture, Forestry and Fisheries)
- Measures for hilly and mountainous areas, etc. (Ministry of Agriculture, Forestry and Fisheries)
- Emergency risk money measures for startups in the agriculture, forestry, and fishery food sector; and emergency incubation measures pertaining to the agriculture support service project (Ministry of Agriculture, Forestry and Fisheries)
- Project to develop, verify, and implement smart agriculture technologies (Ministry of Agriculture, Forestry and Fisheries)

- Emergency measure project for the Green Food System Strategy (Ministry of Agriculture, Forestry and Fisheries) [Afore-cited]
- Measures for making use of domestic forestry resources and increasing the wood industry's international competitiveness (Ministry of Agriculture, Forestry and Fisheries)
- Project to secure, maintain, and improve local public transportation services (Ministry of Land, Infrastructure, Transport and Tourism)
- Improvement of road networks contributing to higher productivity (Ministry of Land, Infrastructure, Transport and Tourism)
- Improvement of ports and harbors contributing to increasing the competitiveness of Japanese industries (Ministry of Land, Infrastructure, Transport and Tourism)
- Aid for expenditures on surveys for the Public Private Partnership/Private Finance Initiative project (Promotion of PPP/PFI business model formulation) (Cabinet Office)
- Project to advance the level of support for business operators having transactions with local financial institutions (Support for human resource match-making via REVICareer, a large company's platform for human resources) (Financial Services Agency) [Afore-cited]
- Pioneering human resource match-making project (Cabinet Office)
- Overseas dissemination of TV content and enhancement of local information sharing and dissemination (Ministry of Internal Affairs and Communications)
- Project to teach Japanese for overseas human resources (Ministry of Foreign Affairs)
- Subsidy for the "Vision for a Digital Garden City Nation" (Cabinet Office)
- Development of compact, roomy, and vibrant communities, green development of communities, improvement of urban parks, and creation of waterfront spaces (Ministry of Land, Infrastructure, Transport and Tourism)
- Creation of innovation hubs in provincial cities and enhancement of large cities' global competitiveness (Ministry of Land, Infrastructure, Transport and Tourism)
- Invigoration of the economies in disadvantaged areas (remote islands, peninsulas, Amami, Ogasawara, and heavy snowfall areas) (Ministry of Land, Infrastructure, Transport and Tourism)
- Development of human resources with IT expertise toward the realization of "Okinawa with Strong Economy" (Cabinet Office)
- Measure for luring tourists to Upopoy, etc. (Ministry of Land, Infrastructure, Transport and Tourism)
- Subsidy for promoting the conservation of specified populated remote territorial island areas and local communities (Cabinet Office) [Afore-cited]
- Increase in local tax grants (Ministry of Internal Affairs and Communications), etc.

2. Taking advantage of a weak yen to make the economic structure stronger

With geopolitical changes making supply chains unstable, overseas countries more and more expect Japan, for its technological edge over them, to act as a larger supplier of their important and yet difficult-to-produce-by-themselves articles. Meanwhile, Japan's supply chains need to be realigned urgently; the pandemic has crippled them and exposed their vulnerability, causing disruptions in the supply of parts, etc. The Government, therefore,

enhances Japan's supply capacity, including export capacity, for such articles and parts, etc. To be more specific, with the depreciation of the yen significantly improving the cost feature of Japan as an industrial location, the Government encourages more and more Japanese companies to return their production sites back to Japan, among other inward and "offensive investment," while at the same time seeking to increase foreign direct investment in Japan. Moreover, the Government seeks to increase export from SMEs through the maximum use of digital technologies and knowhow on market exploration. The Government also takes measures for increasing the export of agricultural, forestry, and fishery products with competitive edge in global markets and seeks to achieve the target of exporting two trillion yen of such products earlier than 2025, the year set for the target to be achieved. All these measures will help make Japan's economic structure more resilient.

(1) Enhancing the capacity to produce articles in demand from overseas and increasing the volume of export

As companies around the world are forced to realign their supply chains to adapt to changes in international affairs, their expectations in Japanese companies as their supplier are growing.

Apart from promoting the Japan-US joint development of next-generation semiconductor production technology, the Government seeks, in alignment with other countries, to expand investment in the supply-side of the economy and establish a secure supply system in crucial high tech areas, such as cutting-edge semiconductors, conventional semiconductors and materials related thereto, semiconductor production equipment, batteries and materials related thereto, and cloud computing.

The Government also seeks to meet the demand from overseas for important articles, such as aircraft-related materials, permanent magnet, machine tools, and industrial robots, by enhancing the domestic capacity to produce them for stable supply.

- Support for strengthening Japan's supply chains by taking advantage of a weak yen (Ministry of Economy, Trade and Industry)
- Securing domestic production hubs for advanced semiconductors (Ministry of Economy, Trade and Industry)
- R&D project to strengthen infrastructure for post-5G information and communication systems (Ministry of Economy, Trade and Industry), etc.

(2) Drawing back corporate inward investment and increasing foreign direct investment

The Government provides support for the installation of production facilities in Japan for important products, parts, and materials, etc., that have been produced by a limited number of companies at limited locations and hence vulnerable to the risk of disruption in the supply chain. The Government also encourages Japanese companies in other areas of Japan's strength to make bold investment aimed at outperforming their competitors the world over.

Besides encouraging Japanese companies to return their production sites back to Japan, the Government seeks to increase foreign direct investment in Japan based on the understanding that the country's growth requires being connected with the rest of the world and exchanging people, things, money, and digital technology with it beyond restrictions.

In coincidence with the recent drastic easing of border control measures, the Government launches a promotional campaign for the opening of Japan and invites foreign companies' executives to Japan for potential business partnerships with Japanese companies. The Government lures foreign investment in growing areas, such as GX, DX, healthcare, and food tech. Apart from working on attracting foreign venture capital investment to develop startups through the infusion of overseas vitality, the Government accelerates its consideration on the regulatory reform, including the relaxation of the status of residence requirements for foreign entrepreneurs. The Government enhances the effort to lure foreign students, promotes their internships at Japanese companies, and works on institutional reform aimed at upgrading the effort to attract highly-skilled human resources from overseas.

As part of efforts to improve business conditions for foreigners, the Government seeks to realize the vision of becoming an international financial center. To be more specific, the Government accelerates the Corporate Governance Reform and supports foreigners to found a corporate body in Japan, with such support including the facilitation of the process to open a bank account in the country. Moreover, the Government works on regulatory review and revision in light of the country's Digital Principles and also works on the installation or improvement of port and harbor facilities.

The Government uses the G7 Hiroshima Summit as an opportunity to enhance the effort to disseminate Japan's charms across the world and to deepen its understanding about Japan and raise the country's presence in the world community.

- Measures for promoting domestic investment aimed at securing supply chains (Ministry of Economy, Trade and Industry)
- Support for strengthening Japan's supply chains by taking advantage of a weak yen (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to construct biopharmaceutical production sites, etc., toward the enhancement of Japan's vaccine production system (Ministry of Economy, Trade and Industry)
- Project to strengthen Japan's supply chains for important minerals (Ministry of Economy, Trade and Industry)
- Project to promote overseas market exploration and build supply chains with alliance countries (Ministry of Economy, Trade and Industry)
- Acceleration of entrepreneur startups (Expansion of the initiative for spotting and developing IT talent; launch of an overseas hub for developing entrepreneurs; enhancement of the function to invest in venture capital for the purpose of attracting investment from inside and outside the country; enhancement of the support for R&D-led startups and drug discovery ventures; and support for the commercialization of technology seeds at universities, etc.) (Ministry of Economy, Trade and Industry)
- The "Global Startup Acceleration Program" (Promotion of startup global forays) (Cabinet Office)

- Project to teach Japanese for overseas human resources (Ministry of Foreign Affairs) [Afore-cited]
- Promotion of investment in people through JICA Development Studies Program, etc. (Ministry of Foreign Affairs)
- Enhancement of Japan's functions as an international financial center; improvement of support conditions aimed at attracting human resources; and enhancement of promotional activities and information services (Financial Services Agency)
- Promotion of the Corporate Governance Reform (a research and study project) (Financial Services Agency)
- Strategic international publicity concerning the government's "New Form of Capitalism" and other major measures at the G7 Hiroshima Summit (Cabinet Office), etc.

(3) Increasing the volume of export from SMEs

The depreciation of the yen can serve as a catalyst for SMEs to start exporting and explore overseas markets. Commercial and industrial associations or chambers of commerce and industry around Japan unearth SMEs interested in exporting, while specialists provide them with close-following support. At the same time, the Government promotes the "Support Program for 10,000 New Small- and Medium-Sized Exporters," providing support for SMEs to develop export products, carry out branding and promotional activities, enhance their partnerships with export houses, etc., and explore sales channels through e-commerce sites or other means. The Government also seeks to strengthen the infrastructure of Japan's content industry. To be more specific, the Government provides support for live entertainment using new technologies such as Web 3.0¹² and the metaverse¹³ and offers incentives aimed at attracting filmmakers to Japan as their filming locations. Moreover, the Government provides support for the export to and exploration of overseas markets on the part of startups engaged in the business of providing infrastructure systems or other social solutions. The Government also supports such startups to recruit and develop human resources as well as participate in trustful supply chains built across alliance countries.

- Project to promote overseas market exploration and build supply chains with alliance countries (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to promote SMEs to upgrade their productivity (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to promote the overseas deployment of the Japanese content industry and strengthen its infrastructure (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to promote the creation of inbound demand for specified daily-life services and strengthen the infrastructure (Ministry of Economy, Trade and Industry), etc.

¹² It is a concept that has been drawing much attention as the next-generation internet. In a Web 3.0 world, where everything is decentralized, individuals interact with each other outside the control of a huge platformer. Web 3.0 is what follows Web 2.0, which is represented by the smartphone and social media and came after Web 1.0, which is represented by Email and websites.

¹³ It is a 3D virtual reality constructed in a computer or computer network, or services provided in the virtual spaces.

(4) Increasing the export of agricultural, forestry, and fishery products

The Government aims to achieve the target of export of two trillion yen of agricultural, forestry, fishery, and food products earlier than 2025, the year set for the target to be achieved. To that end, the Government strongly promotes efforts for: providing producers with close-following expert support; establishing producers specializing in export products through measures such as support for advanced food sanitation management systems for beef and other export food; enhancing the country's export capability with help from agricultural, forestry, fishery, and food export promotion organizations; establishing export support systems in export destinations, with such systems including networking with local retailers, eating establishments, and distributors; supporting agriculture, forestry, fishery, and food-related startups; and preventing Japanese varieties from flowing out to overseas.

- Support for increasing the market-in export business sector; establishing an export support system in export target countries; and developing producers who meet global needs (Ministry of Agriculture, Forestry and Fisheries)
- Enhancement of the research function at the National Research and Development Agencies engaged in the research of agricultural testing (Enhancement of the protection of new varieties outside Japan, etc.) (Ministry of Agriculture, Forestry and Fisheries)
- Emergency measures for improving HACCP-rated facilities, etc., used by export food makers (Ministry of Agriculture, Forestry and Fisheries)
- Measures for increasing export, such as those aimed at upgrading the country's meat distribution structure and promoting consortia (Ministry of Agriculture, Forestry and Fisheries)
- Emergency risk money measures for startups in the agriculture, forestry, fishery, and food sector (the Ministry of Agriculture, Forestry and Fisheries) [Afore-cited]
- Project on emergency infrastructure improvement measures for promoting the export of fishery products (Ministry of Agriculture, Forestry and Fisheries)
- Project to support the global deployment of Japanese-produced alcoholic beverages (Ministry of Finance), etc.

III. Acceleration of a “New Form of Capitalism

1. Drastic reinforcement of “investment in human capital” and labor reallocation to growing sectors: Integrated reform for structural wage increases

“People” are definitely the driving force behind the realization of the "New Form of Capitalism" that solves social problems and serves as the engine of growth through digital, green, and other discontinuous innovations. The government will drastically strengthen "investment in human capital," as the first pillar of the "New Form of Capitalism," and squarely and decisively confront one of our country's structural problems that has prevented substantial wage increase for many years.

By promoting an integrated reform of three challenges, which are wage increase,

facilitating labor reallocation, and investment in human capital, and by operating a virtuous cycle in which wage increases attract highly skilled workers, improve corporate productivity, and generate further wage increases, the government aims to realize "structural wage increases."

(1) Strengthening investment in human capital and facilitating labor reallocation

With a view to simultaneously acquiring new skills in the digital sector, etc., and facilitating labor reallocation to growing sectors, the government will expand the package of measures for "investment in human capital," which has been implemented at a scale of 400 billion yen over 3 years, to 1 trillion yen over 5 years.

Specifically, with an emphasis on "facilitating labor reallocation between companies and industries," the government will expand support for companies that shift non-regular employees to regular employees after they take training and for companies that hire new workers at higher wages to realize job changes and labor reallocation that entails higher wages. In addition, as a way to help job seekers advance their careers, it will establish a new system to provide consistent support for job reskilling and job changes through consultation with private experts. Furthermore, it will work to match human resources to local companies, with the support of regional financial institutions, etc., and provide support to companies that allow their employees to work a second job.

At the same time, the government will enhance support for worker reskilling, such as increasing the subsidy rate for companies that help workers engage in reskilling voluntarily and develop their careers.

In addition, the government will strengthen the development of human resources for digital promotion, aiming to develop 2.3 million people by the end of fiscal 2026, and expand support for young researchers and international students.

Furthermore, by June of next year, it will finalize guidelines for facilitating the migration of labor between companies and industries, including the development of measures to support reskilling and shift from seniority-based wages to job-based wages in a manner that suits Japan, and will develop policies necessary to implement the guidelines. In addition to the promotion of continuous wage increases, efforts will be integrally and continuously made to promote wage increases through the development and activation of human resources, provide support for facilitating the migration of labor accompanied by wage increases, and restructure the safety net of employment, so that the labor market can respond flexibly to changes and support diverse choices of individuals.

In conjunction with these efforts, with regard to employment adjustment subsidies, the government will continue to reduce special measures in a phased manner from December 2022 in order to realize reskilling and facilitation of labor reallocation that lead to "structural wage increases," and shift the measures to the regular system while giving consideration to companies with difficult business conditions.¹⁴

¹⁴ Specifically, employment adjustment subsidies will be reduced in three stages: 1) the amount will be continuously reduced from October 2022; 2) payment requirements will be eased from December 2022 to March 2023; and 3)

In addition, in order to take all possible measures to provide the employment adjustment subsidies for the time being and to strengthen support for facilitating labor reallocation and investment in human capital, as well as to ensure a stable financial base for employment insurance in the event of a deterioration in the employment situation, a stable financial base is essential. To realize it, the government will work to secure financial resources¹⁵.

In order to develop human resources who can play an active role from the school education stage and be evaluated in society, the government will promote the restructuring of faculties of universities and technical colleges in growing sectors¹⁶, as well as promote the sophistication of teacher training, regional collaboration of school club activities, and shift to community club activities.

- Promoting shift from non-regular employees to regular employees and improvement in their treatment through the career advancement subsidies (Ministry of Health, Labour and Welfare)
- Review of the subsidies for supporting labor reallocation (Early employment support course) and the mid-career employment support subsidies (Mid-career extension course) (Ministry of Health, Labour and Welfare)
- Expansion of the employment development subsidies for specified job seekers (Course of human resource securing and development in growing sectors) (Ministry of Health, Labour and Welfare)
- Facilitating labor reallocation between companies and industries to give workers the opportunity to change jobs (Ministry of Economy, Trade and Industry)
- Pioneering HR match-making project (Cabinet Office) [Afore-cited]
- Project to advance the level of support for business operators having transactions with local financial institutions (Support for human resource match-making via REVICareer, a large company's platform for human resources) (Financial Services Agency) [Afore-cited]
- Expansion of the "investment in human capital promotion course" of the human resource development support subsidies (increase in subsidy rate) and establishment of the "business development and reskilling support course" (tentative name) (Ministry of Health, Labour and Welfare)
- Establishment of the industrial employment stabilization subsidies (Upskilling support course) (tentative name) (Ministry of Health, Labour and Welfare)
- Support for individual workers to learn and relearn in response to changes in the economy and society (Expansion of education and training benefits) (Ministry of Health, Labour and Welfare)
- Project to promote recurrent education to promote ready-to-work personnel in growing sectors (Ministry of Education, Culture, Sports, Science and Technology)

transitional measures will be taken, such as raising the maximum daily amount and subsidy rate from those under the regular system, until January 2023 for companies with particularly severe business conditions. The emergency employment stabilization subsidies, which have been prepared as an exceptional measure for workers who are not covered by employment insurance, will continue until the end of the fiscal year, while being reduced in line with the employment adjustment subsidies.

¹⁵ A voluntary transfer is made from the general account to the labor insurance special account employment account in accordance with the Act on Temporary Special Provisions of Employment Insurance.

¹⁶ It will intensively accept restructuring plans for digital green and other growth fields until the end of fiscal 2032, and promote the prompt restructuring of universities and technical colleges.

- Project to promote the introduction of a construction career development system to improve the skills and treatment of construction technicians (Digital Agency)
- Development of digital promotion personnel by focusing on the digital sector in public vocational training (Ministry of Health, Labour and Welfare)
- Strengthening support for young researchers through the Grant-in-Aid for JSPS Fellows of the scientific research expenses subsidies (Ministry of Education, Culture, Sports, Science and Technology)
- Expenses for Japanese students who continuously study abroad under the study abroad support program (Ministry of Education, Culture, Sports, Science and Technology)
- Promotion of investment in human capital through JICA Development Studies Program, etc. (Ministry of Foreign Affairs) [Afore-cited]
- Gradual reduction of special measures for employment adjustment subsidies (Ministry of Health, Labour and Welfare)
- Stabilization of employment insurance finances (Transfer from general account) (Ministry of Health, Labour and Welfare)
- Creation of continuous support measures through a fund for strengthening the functions of universities and technical colleges leading growing sectors (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the sophistication of teacher training (Ministry of Education, Culture, Sports, Science and Technology)
- Development of a regional sports club activity system [Afore-cited], Integrated development of environment for regional cooperation and transition to community cultural club activities (Ministry of Education, Culture, Sports, Science and Technology), etc.

(2) Promotion of diverse work styles and corporate governance reforms related to human capital

In order to enhance the foundation that supports the strengthening of investment in human capital and the facilitation of labor reallocation, the government will work on Work Style Reform that enhances worker engagement¹⁷ and productivity, and develop an environment where people can choose diverse and flexible work styles. With regard to nursing care, etc., efforts will be made to improve the treatment of employees on site through visualization, while increasing the efficiency of work and reducing workload. In addition, efforts will be fully made to promote the active participation of women, including in the digital sector, and to support the employment and social participation of the employment ice age generation.

At the same time, in order to promote corporate governance reform and to share a common understanding with shareholders that investment in human capital is the foundation of sustainable value creation for the company, efforts will be made to enhance disclosure of non-financial information.

- Expansion of the subsidy for promoting and supporting Work Style Reform (Increase in the preferential scores given to companies that have raised wages) (Ministry of Health,

¹⁷ A concept that indicates a worker's willingness and attitude to contribute voluntarily to an organization or work when the achievement of organizational goals coincides with the direction of the worker's own growth, and the worker can find his job rewarding.

Labour and Welfare) [Afore-cited]

- Comprehensive support for industrial health activities (Ministry of Health, Labour and Welfare)
- Kindergarten ICT environment development (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the promotion of improvement in treatment for long-term care workers, etc. (Ministry of Health, Labour and Welfare)
- Development of a support system for welfare services for persons with disabilities (Ministry of Health, Labour and Welfare)
- Substantive survey to improve the productivity of the automobile maintenance industry (Ministry of Land, Infrastructure, Transport and Tourism)
- Work Style Reform for national government employees (Work environment improvement) (Cabinet Secretariat)
- Grants for promoting active participation of women in the region (Cabinet Office)
- Support for the advanced and active efforts of the employment ice age generation in the region (Cabinet Office)
- Integrated development of the market environment, including enhancing disclosure of human capital and non-financial information and reviewing quarterly disclosures (Financial Services Agency)
- Promotion of the Corporate Governance Reform (research and study project) (Financial Services Agency) [Afore-cited]
- Strengthening market functions by ensuring the credibility of audit firms responsible for auditing the accounts of listed companies and improving the effectiveness of corporate internal controls (Financial Services Agency)
- Promotion of the establishment of international disclosure rules for human capital (Financial Services Agency), etc.

(3) Doubling of asset income

The government will formulate a comprehensive "asset income doubling plan" at the end of this year in order to realize the structural wage increase provided above, as well as to create a virtuous cycle in which cash and deposits, which account for half of our country's personal financial assets of 2,000 trillion yen, will also be used for investments, and the benefits of sustained corporate value enhancement will be brought to households.

In order to shift personal financial assets from savings to investments, the government will examine the fundamental expansion and perpetuation of NISA, as well as the reform of the individual-type Defined Contribution pension plan (iDeCo) to conclude the tax reform for the next fiscal year at the end of this year. In addition, as a national strategy, it will develop a national promotion plan to develop a system to promote customer-oriented business operations, create a mechanism to promote neutral and reliable advisory services to consumers, and develop a system to enhance financial education for stable asset building.

- Examination of the fundamental expansion and perpetuation of NISA¹⁸ (Financial

¹⁸ To be discussed and concluded in fiscal 2023 tax reform.

- Services Agency)
- Reform of the individual-type Defined Contribution pension plan (iDeCo) ¹⁸(Ministry of Health, Labour and Welfare)
- Development of environment to ensure customer-oriented business operations (Financial Services Agency)
- Development of a system to promote financial and economic education to promote stable asset building (Financial Services Agency)
- Proactively sending information to improve financial literacy (Financial Services Agency)

2. Promoting bold investments in growing sectors

(1) Science, technology, and innovation

The growth rate of research and development investment is low in our country compared to other developed countries. Through new public-private partnerships, in which the government sets out a clear national strategy and the private sector shares future growth expectations, research and development investment will be stimulated and the social investment impact will be maximized.

In order to support science and technology sectors that are directly linked to our country's national interests, the government will strengthen the Program for the Development of Critical Economic Security Technologies, and through this, provide support continuously for the development of advanced critical technologies. In addition, efforts will be made to promote: the development of research bases for quantum and AI technologies and development bases to accelerate social implementation; the strengthening of international joint research in the quantum, AI and information, communications, semiconductor, bio, energy, materials, and health and medical sectors; bio-manufacturing; regenerative medicine, cell therapy and gene therapy; the development of drug discovery infrastructure; international standardization strategies; space development; and marine development. Efforts will be also made to promote research and development in nuclear power and fusion.

The government will work to strengthen regional core universities and universities with strengths in specific research areas, and to strengthen support for the development of young researchers.

In addition, it will provide support to facilitate preparations for the EXPO 2025 OSAKA, KANSAI, JAPAN.

- Strengthening the Program for Developing Critical Economic and Security Technologies (Cabinet Office)
- Creation of a global base for business development of quantum, AI, and bio-fusion technologies (Development of bases for quantum, AI, and biotechnology and project to promote the biotechnology manufacturing revolution, etc.) (Ministry of Economy, Trade and Industry)
- Support for large-scale clinical trials of vaccines (Ministry of Health, Labour and Welfare)
- Project to construct biopharmaceutical production sites, etc., toward the enhancement of

Japan's vaccine production system (Ministry of Economy, Trade and Industry) [Afore-cited]

- Research and development for building a global quantum cryptographic communication network (Ministry of Internal Affairs and Communications)
- Promoting development of health and medical centers in Okinawa (Cabinet Office)
- Support for initiatives of startups at the Okinawa Institute of Science and Technology (OIST) (Cabinet Office)
- Promotion of the National Genome Analysis Implementation Plan 2022 (Ministry of Health, Labour and Welfare)
- Development and promotion of practical application of gene therapy (Ministry of Health, Labour and Welfare)
- Promotion of research and development and practical application of regenerative medicine, cell therapy, and gene therapy (Ministry of Economy, Trade and Industry; Ministry of Education, Culture, Sports, Science and Technology)
- Support for the formulation and acceleration of strategies for promoting the use of standards (Cabinet Office)
- Promotion of research and development in the space sector (Accelerating the development of quasi-zenith satellite system, supporting the construction of small satellite constellations, accelerating the development of core rockets and improving launch capabilities, promoting the Artemis program, etc.) (Ministry of Education, Culture, Sports, Science and Technology; Cabinet Office)
- Promotion of research and development in the marine sector (Accelerating the development of rare earth mud, construction of Arctic research vessels, development of deep AUVs, etc.) (Cabinet Office; Ministry of Education, Culture, Sports, Science and Technology)
- Upgrading of research facilities of the Japan Atomic Energy Agency (Ministry of Education, Culture, Sports, Science and Technology)
- Research and development of key technologies for fusion power generation (Ministry of Education, Culture, Sports, Science and Technology)
- Strengthening the functions of earthquake and tsunami observation networks (Ministry of Education, Culture, Sports, Science and Technology)
- Development of information-gathering satellites (Cabinet Secretariat)
- Funded project to promote the strengthening of regional core research universities and research universities with characteristics (Ministry of Education, Culture, Sports, Science and Technology)
- Promotion of global brain circulation (Support for the establishment of international research networks for young researchers) (Cabinet Office; Ministry of Education, Culture, Sports, Science and Technology)
- Strengthening support for young researchers through the Grant-in-Aid for JSPS Fellows of the scientific research expenses subsidies (Ministry of Education, Culture, Sports, Science and Technology) [Afore-cited]
- Strengthening support for emergent research (Support for young researchers who aspire to free and challenging research) (Ministry of Education, Culture, Sports, Science and Technology)
- Creation of continuous support measures through a fund for strengthening the functions of universities and technical colleges leading growing sectors (Ministry of Education, Culture, Sports, Science and Technology) [Afore-cited]

- Strengthening science communication that contributes to exploration and STEAM education (Ministry of Education, Culture, Sports, Science and Technology)
- Development of facilities, equipment and educational research infrastructure of universities and National Research and Development Agency (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the continuation of research activities of National Research and Development Agency, etc. (Ministry of Education, Culture, Sports, Science and Technology)
- Development of infrastructure to promote research on ultra-advanced and important technologies of national and social importance (Ministry of Education, Culture, Sports, Science and Technology)
- Promoting next-generation synchrotron radiation facilities through public-private regional partnerships (Ministry of Education, Culture, Sports, Science and Technology)
- Strengthening initiatives to build momentum for the EXPO 2025 OSAKA, KANSAI, JAPAN (World Exposition Project) (Ministry of Economy, Trade and Industry, Cabinet Secretariat), etc.

(2) Acceleration of startups

1) Building human resources and networks to create startups

Developing startups is the key to stimulating dynamism and growth in the Japanese economy and solving social issues. Setting this year as the first year of startups, the government will formulate a five-year plan at the end of this year with a view to increase in startups tenfold in five years' time.

The government will provide support to personnel and networks that are important during the startup phase. Specifically, efforts will be made to expand initiatives to find and develop outstanding IT personnel, dispatch 1,000 young personnel who want to start a business to Silicon Valley and the East Coast in the next five years, establish overseas bases for developing entrepreneurs, examine strengthening of entrepreneurship education, develop 1 University 1 IPO.¹⁹ movement, strengthen support measures for creating startups in universities, promote the formation of startup ecosystem bases, develop legislation for proper transaction for freelancers, and support the development of incubation facilities.

- Acceleration of startups (Expanding efforts to find and develop outstanding IT personnel, establishing overseas bases for developing entrepreneurs, supporting universities and other institutions to commercialize technology seeds, etc.) (Ministry of Economy, Trade and Industry) [Afore-cited]
- Creation of university-based startups for international expansion and expansion of entrepreneurial education for high school students (Ministry of Education, Culture, Sports, Science and Technology)
- Environment improvement for startup education at all technical colleges (Ministry of Education, Culture, Sports, Science and Technology)
- Promotion of the Global Startup Campus Initiative (Cabinet Office)
- Global Startup Acceleration Program (Promotion of startups' global foray) (Cabinet Office) [Afore-cited]

¹⁹ Abbreviation for Initial Public Offering.

- Support for initiatives of startups at the Okinawa Institute of Science and Technology (OIST) (Cabinet Office) [Afore-cited]
- Measures to strengthen the creation of agricultural startups (Ministry of Agriculture, Forestry and Fisheries), etc.

2) Strengthening of funding for business growth of startups, promoting diversification of business development and exit strategies, and promoting open innovation

For deep tech startups, etc., that require time to grow, the government will provide support to their business growth and research and development by expanding fund supply, including public capital, while at the same time fostering domestic venture capital and attracting foreign investors and venture capital.

In addition, it will examine tax measures for startups and review systems such as expanding support for startups through public procurement and eliminating the need for personal guarantees, in order to reduce the risk to managers when they receive a credit guarantee at the time of starting a business.

The government will work on further improvement of the environment for existing companies to do open innovation with startups. At the same time, it will develop a private reorganization law for business restructuring.

- Drastic expansion of SBIR²⁰ (Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Land, Infrastructure, Transport and Tourism)
- Acceleration of startups (Strengthening the capacity to invest in venture capital to attract domestic and foreign investment and strengthening support for R&D-oriented startups and drug discovery ventures, etc.) (Ministry of Economy, Trade and Industry) [Afore-cited]
- R&D project to strengthen infrastructure for post-5G information and communication systems (Ministry of Economy, Trade and Industry) [Afore-cited]
- Global Startup Acceleration Program (Promotion of startups' global foray) (Cabinet Office) [Afore-cited]
- Tax measures to promote individual startup investment to drastically strengthen startup ecosystem in our country.²¹ (Ministry of Economy, Trade and Industry)
- Stock option taxation²¹(Ministry of Economy, Trade and Industry)
- Research and development taxation²¹(Ministry of Economy, Trade and Industry)
- Taxation for promoting open innovation²¹ (Ministry of Economy, Trade and Industry)
- Financial support for startups by the Japan Finance Corporation and the Development Bank of Japan (Ministry of Finance; Cabinet Office, etc.)
- Early realization of a system to raise funds from financial institutions by using the entire business as collateral (Financial Services Agency)
- Consideration for improving the environment for promoting Web 3.0 (Digital Agency),

²⁰ Abbreviation for Small Business Innovation Research. It is a system that consistently supports startups from the early stages of research and development to government procurement and civilian use, aiming to create innovation.

²¹ To be discussed and concluded in fiscal 2023 tax reform.

etc.

(3) GX (Green transformation)

1) Investment promotion that simultaneously facilitate decarbonization and industrial growth

Efforts will be made to swiftly implement fundamental changes in the economic and social structure through decarbonization and to strengthen our international competitiveness. To do so, by the end of this year, the government will accelerate the consideration of the roadmap for the next 10 years. All the while considering the immediate necessity of addressing the hike in energy prices, the government will also develop measures for decarbonization and other innovative technologies that will contribute to the growth of the Japanese economy, such as activate domestic investment, and implement those measures as part of governmental investment based on the 10-year roadmap and ahead of the launch thereof.

Based on basic research on innovative technologies such as carbon recycling, where CO₂ is used as a raw material to manufacture materials, products, and fuels, the government will promote research and development toward social implementation. In addition, it will provide support for GX in the automotive and other sectors, including promotion of the use of clean-energy vehicles, strengthening the domestic manufacturing base for storage batteries, and strengthening the manufacturing base and developing technologies for power semiconductors and photoelectric fusion technologies, which are essential to achieving both a digital society and decarbonization. The government will provide intensive support over the next three years for companies that invest in energy conservation for two or more years, and provide support for renovation that will help improve the insulation of houses. In addition, it will accelerate expert discussions toward the end of the year on the restart of more than a dozen nuclear power plants and the development and construction of next-generation innovative reactors.

- Green innovation fund project (Ministry of Economy, Trade and Industry)
- Promotion of clean energy vehicles (Ministry of Economy, Trade and Industry)
- Support for building a resilient supply chain for batteries which are essential for a green society (Ministry of Economy, Trade and Industry)
- R&D project to strengthen infrastructure for post-5G information and communication systems (Ministry of Economy, Trade and Industry) [Afore-cited]
- Support for building a resilient semiconductor supply chain to achieve GX by improving power performance (Ministry of Economy, Trade and Industry)
- Strengthening subsidies to promote the renewal of energy-saving equipment (Ministry of Economy, Trade and Industry) [Afore-cited]
- Strengthening basic research and development in academia to create innovative GX technologies (Green technologies of eXcellence (GteX)) (Ministry of Education, Culture, Sports, Science and Technology)
- Project to promote the introduction of cutting-edge equipment for housing heat insulation performance, etc. (Ministry of Economy, Trade and Industry; Ministry of the Environment) [Afore-cited]

2) Steady popularization of technologies and international cooperation, etc.

The government will provide support to steadily popularize technologies owned by companies for decarbonization and the introduction of renewable energy in the region, and promote financial initiatives such as impact investment to expand the sustainable finance market, while taking measures to stimulate demand. Toward GX in the automotive sector, the government will provide support for the development of charging and hydrogen filling infrastructure, in addition to vehicles and storage batteries, and for the transformation of businesses of small and medium suppliers. In addition, it will promote international decarbonization and adaptation to climate change by using advanced Japanese technologies for initiatives for GX in the Asian region and other countries through the support of bilateral and international organizations, such as the Asian Zero Emissions Community initiative.

- Promotion of clean energy vehicles and infrastructure (Ministry of Economy, Trade and Industry)
- Project to encourage SMEs to rebuild their businesses (Ministry of Economy, Trade and Industry) [Afore-cited]
- Issuance of government-guaranteed bonds (green bonds) by the Japan Housing Finance Agency (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of GX in sectors of community development, infrastructure (dams and sewerage), maritime affairs, ports, aviation, railways, and logistics (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion toward regional decarbonization and the introduction of renewables (Ministry of the Environment) [Afore-cited]
- Promotion of GX and climate change adaptation measures in developing countries through bilateral assistance and assistance of international organizations (Ministry of Foreign Affairs)
- Support for climate change measures in developing countries through international financial institutions (Ministry of Finance)
- Support for Japanese companies' overseas expansion in light of the "New Form of Capitalism" by Japan Bank for International Cooperation (JBIC) (Ministry of Finance)
- Review of the regulations governing fast chargers and lithium ion batteries toward the popularization of electric vehicles (Cabinet Office) [Afore-cited]
- Enhancement of information disclosure on corporate sustainability and promotion of the development of international disclosure rules (Financial Services Agency)
- Support for financial and industrial organizations that promote climate change measures (Financial Services Agency)
- Support for funds for the Joint Crediting Mechanism (JCM) (Ministry of the Environment)
- Enhancement of technology for verifying greenhouse gas emissions using greenhouse gas observation satellites (Ministry of the Environment)
- Emergency measure project for the Green Food System Strategy (Ministry of Agriculture, Forestry and Fisheries) [Afore-cited], etc.

(4) DX (Digital transformation)

Since DX is a source of new added value and a key to solving social issues, the government will strongly promote policies to promote DX investment.

As for semiconductors, which is also called "industrial rice," the government will support the development of domestic production hubs and promote the joint development of technology for the manufacturing of next-generation semiconductors with the United States. In addition, it will promote strategic investments in cutting-edge technologies, such as the drastic enhancement of research and development of Beyond 5G, which will be the foundation for future society and industry.

The government will promote the acquisition of My Number Card through: accelerating the integration with health insurance cards, development of an environment for the abolition of health insurance cards by the fall of 2024, development of an environment for the integration with driver's licenses, support for strategic public relations and local governments' efforts, making electronic certificate fees free for the time being for private businesses, support for the expansion of opportunities for private businesses and local governments to use My Number Card, and improvement of related systems for the early introduction of the confirmation of doctor's license and other national qualifications.

It will also eliminate 9,000 analog regulations, which prevent the use of digital technology, in two years based on digital principles. It will strengthen analysis of cyberattack techniques and provide support for the introduction of security services for SMEs. In addition, in order to improve productivity through the promotion of DX of SMEs, it will provide support from the introduction of IT all the way through to its establishment.

In order to realize DX in the medical and nursing care sectors, the government will promote the development of a schedule for the establishment of a national medical information platform and the expansion of the use of online qualification confirmation.

To support individualized and collaborative learning, the government will promote educational DX, including the GIGA School Concept and the sophistication of teacher training. It will also promote DX in the transportation and logistics sectors.

The government will promote EBPM²² by utilizing real-time data, etc.

In order to promote a Digital Garden City Nation, the government will establish the Digital Garden City Nation Grant and expand the scope of its support to include the development of facilities by private companies. At the same time, in addition to promoting the supercity concept, the government will promote the development of infrastructure such as optical fiber and 5G base stations. Efforts will also be made to improve citizens' digital literacy, such as supporting the use of digital technology by the elderly. In addition, the government will formulate a new comprehensive strategy for a Digital Garden City Nation in December this year.

The government will work on to centralize the economic and social polarity by

²² Abbreviation for Evidence-Based Policy Making.

developing an environment for promoting Web 3.0, expanding the use of contents using the metaverse and NFT.²³, and promoting overseas expansion of broadcast contents that convey the attractiveness of Japan.

- Securing domestic production hubs for advanced semiconductors (Ministry of Economy, Trade and Industry) [Afore-cited]
- R&D project to strengthen infrastructure for post-5G information and communication systems (Ministry of Economy, Trade and Industry) [Afore-cited]
- Creation of a permanent fund to promote research and development of innovative information and communications technologies (Beyond 5G (6G)) (Ministry of Internal Affairs and Communications)
- Expenses for the development of a technology map (Digital Agency)
- Modification of the license registration and management system related to online applications for doctor's license and other national qualifications (Digital Agency)
- Strengthening of measures to promote the My Number Card and improving its convenience (Nationwide expansion of My Number Card Point by municipalities, promoting the use of My Number Card in the quasi-public sector, etc.) (Ministry of Internal Affairs and Communications; Digital Agency)
- Cybersecurity measures (Cabinet Secretariat; Digital Agency; Ministry of Internal Affairs and Communications)
- Initiatives to integrate My Number Card with health insurance cards (Promotion for the expansion of use of online qualification confirmation) (Ministry of Health, Labour and Welfare)
- Project to promote SMEs to upgrade their productivity (Ministry of Economy, Trade and Industry) [Afore-cited]
- Project to provide flexible support according to changes in the business environment (Ministry of Economy, Trade and Industry) [Afore-cited]
- Development of the national medical information platform (Ministry of Health, Labour and Welfare)
- Digitization of immunization operations (Ministry of Health, Labour and Welfare)
- Development of environment for safe and accurate operation of electronic prescriptions and dissemination of Healthcare Public Key Infrastructure (HPKI) (Ministry of Health, Labour and Welfare)
- Promotion of the GIGA School Concept (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the sophistication of teacher training (Ministry of Education, Culture, Sports, Science and Technology) [Afore-cited]
- Subsidy for the Vision for a Digital Garden City Nation (Cabinet Office) [Afore-cited]
- Promotion of initiatives in the Super City and Digital Garden Health Special Zone (Cabinet Office)
- Project to develop mobile phone service areas and advanced radio environment (5G, optical fiber) (Ministry of Internal Affairs and Communications)
- Project to promote the use of local digital infrastructure (Implementation support such as

²³ Abbreviation for Non-Fungible Token. NFT is "digital data that cannot be falsified or tampered with," having the function to attach a unique property to digital data to ensure its authenticity and the function to track transaction history on the blockchain.

- the introduction of local 5G) (Ministry of Internal Affairs and Communications)
- Project to promote the popularization and development of Telework (Ministry of Internal Affairs and Communications)
 - Environmental development by the Digital Promotion Committee, etc., digital utilization support and promotion, improvement of digital literacy of the people (Digital Agency; Ministry of Internal Affairs and Communications; Ministry of Education, Culture, Sports, Science and Technology)
 - Project to promote the overseas deployment of the Japanese content industry and strengthen its infrastructure (Ministry of Economy, Trade and Industry) [Afore-cited]
 - Overseas dissemination of TV content and enhancement of local information sharing and dissemination (Ministry of Internal Affairs and Communications) [Afore-cited]
 - Project to strengthen disaster resilience through cable television introducing optical network toward the establishment of “new normal” (Ministry of Internal Affairs and Communications)
 - Promoting DX in the land, infrastructure, transport, and tourism sector (Infrastructure, transportation, logistics, smart cities, roads, buildings and cities, ships, marine industry, ports and harbors) (Ministry of Land, Infrastructure, Transport and Tourism)
 - Extension of measures to enhance discounts on expressway tolls for big and frequent users (Ministry of Land, Infrastructure, Transport and Tourism)
 - Promotion of development and marketing of Software as a medical device (SaMD) that supports quality medical care (Cabinet Office)
 - Promotion of utilization of medical data in light of the trends of the EU (Cabinet Office)
 - Promotion of dissemination and public relations for smooth start of the invoice system (Ministry of Finance)
 - Work Style Reform for national government employees (Introduction of work time management system) (Digital Agency)
 - Use of real-time data in V-RESAS and economic analysis, etc. (Digital Agency; Cabinet Office)
 - Promotion of digitization of administrative and quasi-public sectors (Cabinet Office; Digital Agency; Ministry of Justice; Financial Services Agency; Consumer Affairs Agency; Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; Ministry of Land, Infrastructure, Transport and Tourism; National Diet Library)
 - Promotion of digitalization in the judicial sector such as criminal proceedings and civil court proceedings (Digital Agency; Ministry of Justice; Supreme Court), etc.

3. Realization of inclusive society

The foundation that supports the new form of capitalism is a diverse society in which everyone, young and old, with or without disabilities, can feel a sense of purpose in life. In addition to promoting the construction of an all-generational social security system and strengthening measures to address declining birthrate and support for children and child-rearing households, efforts will be made to realize an inclusive society, including the active participation of women and measures against loneliness and isolation.

(1) Measures to address declining birthrate and support for children and child-rearing households

The situation of declining birthrate is critical. During the COVID-19 pandemic, the number of marriages fell by about 100,000 in the past two years and the number of births fell to a level not projected to be reached for about seven years. The government will enhance marriage support and support for all pregnant women, children, and child-rearing households.

Focusing on households with babies between 0 and 2 years of age that cannot receive sufficient support, the government will enhance consistent accompanied consultation and support during pregnancy, at the time of childbirth, and during child rearing. It will also create and continuously implement a financial support project in an integrated manner through cooperation with local governments to subsidize the cost of purchasing items related to pregnancy and childbirth and reduce the service fees for prenatal and postnatal care, temporary childcare, and housekeeping support²⁴. In addition, the lump-sum allowance for childbirth and childcare will be significantly increased in the initial budget for fiscal 2023.

In order to realize the New Childcare Support Plan, the government will provide support for creating places for children and their diet, including the development of nursery schools and kindergartens, as well as cafeterias for children from single-parent families in need and families requiring support.

It will work together with the department/bureau heads and the boards of education to verify the effectiveness of the promotion of cooperation between after-school children's clubs and after-school children's classrooms, from the perspective of promoting the use of school facilities. The results of the verification will be reflected in a new after-school plan.

In order to ensure healthy growth of all children regardless of their growth environment, the government will provide support toward the independence of single-parent families.

Efforts will be made to enhance safety and security measures for children to prevent repeated accidents of school buses.

In April 2023, the government will establish the Child and Family Affairs Agency, and with regard to policies for children, it will systematically summarize necessary policies from the perspective of children, and will enhance and strongly promote the policies.

- Enhancement of accompanied consultation and support for childbirth and childcare

²⁴ As financial support, a total of 100,000 yen will be provided during a period of time from the date of pregnancy notification to the date of birth notification. The project will be accelerated with the first day of the next year as the reference date. In the process of preparing the initial budget for fiscal 2023, the government will examine how to secure stable financial resources and how to implement the project efficiently in order to continuously provide the support, and take necessary measures. To accelerate the project with the first day of the next year as the reference date, the government will take transitional measures to retroactively apply financial support. Childbirths on or after the reference date are subject to the financial support to be provided at the time of pregnancy notification, and childbirths during or after April 2022 are subject to the financial support to be provided at the time of pregnancy notification and birth notification.

(Ministry of Health, Labour and Welfare)

- Development of facilities for postpartum care (Ministry of Health, Labour and Welfare)
- Strengthening of measures for declining birthrate in the region (Cabinet Office)
- Development of nursery centers (Nursery school development) (Ministry of Health, Labour and Welfare)
- Improvement of facilities for private kindergartens and certified childcare centers (Ministry of Education, Culture, Sports, Science and Technology)
- Development and promotion of after-school children's clubs (Cabinet Office)
- Demonstration model project to promote cooperation with after-school children's clubs (Ministry of Health, Labour and Welfare)
- Support project for the development of local networks for children's future (Grant for Supporting Children's Future) (Cabinet Office) [Afore-cited]
- Joint model project with NPOs to support the creation of places for children (Ministry of Health, Labour and Welfare) [Afore-cited]
- Emergency measures for food loss reduction and for supporting food banks, and promotion of food and nutrition education (Ministry of Agriculture, Forestry and Fisheries) [Afore-cited]
- Project to strengthen one-stop consultation system for single-parent families (Ministry of Health, Labour and Welfare)
- Meal support project for children from single-parent families (Ministry of Health, Labour and Welfare)
- Safety and security measures for children (Support for repair of school buses, monitoring and attendance management systems, and training on the safety management manual) (Cabinet Office; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare)
- Research and study to reflect opinions of children and young people (Cabinet Secretariat), etc.

(2) Active participant of women

Toward the realization of women's economic independence, which is positioned as the core of the new form of capitalism, the government will address the gender wage gap and other structural issues facing women in our country. The government will provide support for efforts by local governments to promote the active participation of women, including support for the development of female digital human resources and female entrepreneurs. It will continue to work with the recognition that it is important to eliminate the gender gap for developing and securing digital human resources. In addition, the government will ensure compliance with equal pay for equal work, and provide support for shift from non-regular employees, many of whom are women, to regular employees and improvement in their treatment. It will review social security, which has been pointed out as a constraint on employment of women, to make it neutral in terms of work styles. To realize a society in which women can live with dignity and pride, the government will further enhance consultation and support systems for victims of spousal and sexual violence, and promote relief measures to prevent victims from appearing in pornographic videos.

- Grants for promoting active participation of women in the region (Cabinet Office)

[Afore-cited]

- Efforts to more thoroughly implement the principle of equal pay for equal work (Ministry of Health, Labour and Welfare) [Afore-cited]
- Promoting shift from non-regular employees to regular employees and improvement in their treatment through the career advancement subsidies (Ministry of Health, Labour and Welfare) [Afore-cited]
- Measures against sexual crimes and sexual violence and support for victims of domestic violence (Cabinet Office)
- Project to strengthen the HPV consultation and support system and to strengthen the medical system (Ministry of Health, Labour and Welfare), etc.

(3) Measures against loneliness and isolation, and support for people facing difficulties such as the employment ice age generation

With the prolonged impact of the COVID-19 pandemic, loneliness and isolation have become serious social problems. While promoting initiatives to strengthen consultation systems and building regional collaborative systems, the government will provide support to the needy and socially withdrawn people at high risk of loneliness and isolation, as well as to private organizations working on suicide prevention.

The government will provide support for local governments in their efforts to support the employment of the employment ice age generation and enhance support according to local conditions.

The government will promote the creation of an inclusive society where people with difficulties can live in the community in peace. To achieve this, the government will promote the development of organizations that support social participation of persons with disabilities and their lives in the community.

- Environment development for full-scale loneliness and isolation telephone consultation (Cabinet Secretariat)
- Substantive survey on measures to prevent loneliness and isolation in local communities (Cabinet Secretariat)
- Subsidized project for activities of private organizations that support the needy, etc. (Ministry of Health, Labour and Welfare)
- Support for activities of residential support councils (Ministry of Land, Infrastructure, Transport and Tourism)
- Strengthening measures for suicide prevention to combat loneliness and isolation (Ministry of Health, Labour and Welfare)
- Support for the advanced and active efforts of the employment ice age generation in the region (Cabinet Office) [Afore-cited]
- Project to develop organizations that support social participation of persons with disabilities and their lives in the community (Ministry of Health, Labour and Welfare)
- Ainu policy promotion grants (Cabinet Office)
- Subsidy for model project for regional cooperation SDGs (Cabinet Office), etc.

IV. Ensuring Public Safety and Security, Including Disaster Prevention and Mitigation, Promoting National Resilience, and Responding to Changes in the Diplomatic and Security Environment

1. Reinforcement of pandemic response in the coexistence with COVID-19

(1) Reinforcement and prioritization of healthcare system and support for protecting employment and lives

With regard to measures in accordance with the Infectious Diseases Act²⁵, the government will strengthen and focus on the healthcare system based on an idea of providing appropriate medical care to the elderly and those at risk of serious illness.

The government will provide support for efforts of prefectures to secure hospital beds, accommodations, and medical facilities, and to secure medical personnel. In order to prepare for an increase in demand due to the spread of COVID-19 in the future, the government will develop a testing environment²⁶, such as the establishment of a PCR testing system and securing antigenic qualitative test kits through the purchase of inventories, etc., as well as secure and stockpile medical supplies.

With regard to necessary expenses running short as a result of infection spread, the government will continue to respond promptly and flexibly so that municipalities can take measures against COVID-19 without financial anxiety through the timely and appropriate utilization of temporary grants for local revitalization and reserve funds.

The government will continue to promptly provide employment adjustment grants²⁷, and take all possible measures to support the needy²⁸.

- Emergency comprehensive support grant related to COVID-19 (for the medical industry) (Ministry of Health, Labour and Welfare)
- Securing COVID-19 antigen test kits (Ministry of Health, Labour and Welfare)
- Project of stockpiling medical supplies (Ministry of Health, Labour and Welfare)
- COVID-19 temporary grant for regional revitalization (Cabinet Office) [Afore-cited]
- Project for COVID-19 control (Ministry of Health, Labour and Welfare)

²⁵ Act on Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (Act No. 114 of 1998)

²⁶ The government will continue to provide support to enable free testing for asymptomatic residents who are at risk of infection, carried out at the discretion of the prefecture, if infection spread is expected.

²⁷ Subsidies and support grants for the closure of elementary schools, etc., will be provided appropriately, taking into account the status of infection and school closures, etc.

²⁸ Looking ahead to the start of reimbursement for special loans in January 2023, such as emergency petty funds, and the deadline for applications for self-support grants for the needy at the end of December this year, the government will provide detailed follow-up in a push manner according to the situation of each borrower, including recipients of self-support grants, as well as strengthen the system to provide flexible consultation and support, including the active use of exemption and extension systems, provide support to local NPOs, etc., and extend the special provision of housing security benefits until the end of the fiscal year.

- Project for securing nurse staff for COVID-19, etc. (Ministry of Health, Labour and Welfare)
- Gradual reduction of special measures for employment adjustment subsidies (Ministry of Health, Labour and Welfare) [Afore-cited]
- Housing security benefits (Ministry of Health, Labour and Welfare)
- Grant for strengthening the COVID-19 safety net (Ministry of Health, Labour and Welfare)
- Subsidies and support grants for the closure of elementary schools due to COVID-19 (Ministry of Health, Labour and Welfare)
- Grant system for pregnant women who are taking leave due to maternal health management measures related to COVID-19 (Ministry of Health, Labour and Welfare), etc.

(2) Prevention of spreading infections by vaccination and preparation for the next wave

What is important for preventing infection spread is prevention by vaccination. The government will develop an Omicron Variant vaccine system for all citizens²⁹ to accelerate vaccination. Efforts will be made continuously to prevent infection spread in schools, etc., and to disseminate information to prevent infection spread.

To shift to a new stage of coexistence with COVID-19, efforts will be made based on scientific knowledge so that peacetime socio-economic activities can be carried out to the extent possible. To prepare for an infectious disease crisis in the future, the government will work to amend the Infectious Diseases Act and other relevant laws to enable flexible and effective emergency response based on the law. Efforts will be made to strengthen the government's command and control functions and to establish a new organization of experts on infectious diseases (the so-called Japanese CDC).

The government will promote efforts to ensure a stable domestic supply of medically important drugs and medical devices. To prepare for the next pandemic, the government will provide support for research and development of vaccines and effective therapeutics, etc. It will collaborate with international organizations to promote international cooperation, including promoting vaccination in developing countries.

- Securing a system for COVID-19 vaccination, etc. (Ministry of Health, Labour and Welfare)
- Improvement in systems related to COVID-19 vaccination and development of an infectious disease system (Digital Agency)
- Research and study of key technologies related to COVID-19 control, domestic public relations, and public awareness (Cabinet Secretariat)
- Support for infectious diseases control at kindergartens, nursery schools, elementary schools, junior high schools, high schools, special needs schools, foster homes, welfare facilities for people with disabilities, and overseas educational facilities (Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare)

²⁹ All persons aged 12 years or older who have completed the initial vaccination (twice).

Welfare)

- Support for infectious diseases control in regional child and childcare support project, living and learning support project for children from single-parent families, and post-natal care project (Cabinet Office; Ministry of Health, Labour and Welfare)
- Policy studies for the shift to a new stage of coexistence with COVID-19 (Ministry of Health, Labour and Welfare)
- Domestic production of antibacterial drugs (Ministry of Health, Labour and Welfare)
- Project to ensure a stable supply of medical devices through understanding of the actual condition of the supply chain (Ministry of Health, Labour and Welfare)
- Support for large-scale clinical trials of vaccines (Ministry of Health, Labour and Welfare) [Afore-cited]
- Research and development on effective therapeutics for strengthening infectious disease crisis management in the coexistence with COVID-19 (Ministry of Health, Labour and Welfare)
- Project for strengthening infectious disease control (Ministry of Health, Labour and Welfare)
- Improvement of facilities and equipment necessary to strengthen the functions and system of the National Institute of Infectious Diseases (Ministry of Health, Labour and Welfare)
- Cooperation in infectious disease control in developing countries through international organizations (Support through COVAX Facility³⁰, GHIT³¹ and UNDP, CEPI³², Global Fund³³, and World Bank) (Ministry of Health, Labour and Welfare; Ministry of Foreign Affairs and Ministry of Finance), etc.

2. Disaster risk reduction and enhancement of national resilience

Due to the impact of climate change, natural disasters have become more severe and occurred frequently this year, with a series of torrential rain and record-breaking rainfall caused by band-shaped rainfall areas. By the efforts for disaster prevention, disaster mitigation, and national resilience made so far, damages have been prevented and controlled in some areas. However, in order to overcome increasingly severe natural disasters and national crises such as aging infrastructure, and to protect the lives, property, and livelihoods of the people, the government will secure a necessary and sufficient budget based on the Basic Plan, taking into account the hike in material prices, etc., and will strongly promote integrated tangible and intangible measures by appropriately combining self-help, mutual aid, and public assistance. In addition, taking into account the importance of promoting national resilience continuously and stably with a clear outlook over the medium to long term, the government will examine the next basic plan to promote further initiatives.

³⁰ Abbreviation for COVID-19 Vaccine Global Access Facility. It is a funding and supply coordination mechanism operated by the Gavi Vaccine Alliance in collaboration with WHO, UNICEF, and CEPI to ensure equitable access to COVID-19 vaccines in developing and other countries.

³¹ Abbreviation for Global Health Innovative Technology Fund.

³² Abbreviation for Coalition for Epidemic Preparedness Innovations.

³³ The Global Fund or the Global Fund to Fight AIDS, Tuberculosis and Malaria.

In accordance with the "Five-Year Acceleration Measures for Disaster Prevention, Disaster Mitigation, and Building National Resilience," the government will continue to promote measures to prevent and minimize damage to lives and property, such as flood control in watersheds, and to promote efforts to support the economy and people's lives, such as the construction of disaster-resistant transportation networks and lifelines, while taking measures against aging based on the concept of preventive maintenance. The government will also promote DX in the infrastructure and disaster prevention sectors to accelerate the use of digital technologies in the prediction, collection, accumulation, and transmission of disaster-related information, and on-site response. In addition to these measures, the government will promote measures that need to be newly taken in light of the disasters that occurred this year.

- Promotion of flood control in watersheds through collaboration among government agencies, the public sector, and the private sector in view of climate change (Ministry of Agriculture, Forestry and Fisheries; Ministry of Land, Infrastructure, Transport and Tourism)
- Strengthening disaster resilience of housing and buildings, school facilities, medical facilities, social welfare facilities, correctional facilities, rehabilitation facilities, and public facilities, etc. (Ministry of Justice; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of the Environment)
- Enhancing disaster resilience of transportation networks (railways, ports and sea routes, etc.) (Ministry of Land, Infrastructure, Transport and Tourism)
- Strengthening disaster resilience of information and communications facilities, energy facilities, water and sewerage facilities, and waste treatment facilities (Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of the Environment)
- Elimination of missing links on high-standard highways that enable rapid passage after disasters and strengthening a double network between high-standard highways and direct national highways that achieve alternative function (Ministry of Land, Infrastructure, Transport and Tourism)
- Local measures for road infrastructure, including the elimination of utility poles (Ministry of Land, Infrastructure, Transport and Tourism)
- Prevention of disasters by embankment (Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of large-scale earthquake and tsunami evacuation measures in cold and snowy regions (Cabinet Office)
- Maintenance of the functions of the radiation monitoring system (Ministry of the Environment)
- Measures for aging of critical infrastructure such as rivers, dams, roads, urban parks, railways, ports and fishing ports, reservoirs, agricultural water facilities, and school facilities (Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; Ministry of Land, Infrastructure, Transport and Tourism)
- Measures for the sophistication of disaster prevention and weather information, including improving the accuracy of predictions of heavy rain caused by band-shaped rainfall areas

- and typhoons, etc. (Ministry of Land, Infrastructure, Transport and Tourism)
- Multiplexing and sophistication of information transmission methods in case of a disaster (Cabinet Office; Digital Agency; Ministry of Internal Affairs and Communications; Ministry of Land, Infrastructure, Transport and Tourism)
- Promotion of sophistication of infrastructure development and management using digital technology (Ministry of Land, Infrastructure, Transport and Tourism)
- Strengthening the disaster response capability of the police department by improving equipment and materials (National Police Agency)
- Promoting the development of materials/equipment and DX, etc., necessary to strengthen fire and disaster prevention capabilities (Digital Agency; Ministry of Internal Affairs and Communications)
- Strengthening the disaster response capability of the Self-Defense Forces (Ministry of Defense)
- Measures concerning marine debris (Ministry of the Environment), etc.

3. Acceleration of reconstruction and recovery from natural disasters

The government will commit itself to recovery and reconstruction after the Great East Japan Earthquake and other natural disasters.

The government will safely and steadily promote decommissioning and environmental restoration of the Fukushima Daiichi Nuclear Power Plant of Tokyo Electric Power Co. The government will take all necessary measures, including advanced research and development on decommissioning and fund support to realize sustainable fisheries to overcome the impacts associated with the release of ALPS treated water into the ocean.

It will also promote restoration of infrastructure and public facilities such as hospitals and schools damaged by recent natural disasters.

- Support for technically difficult research and development, such as the removal of fuel debris and the treatment and disposal of radioactive waste (Ministry of Economy, Trade and Industry)
- Support for fishermen to overcome the impacts associated with the release of ALPS treated water into the ocean (Ministry of Economy, Trade and Industry)
- Restoration of rivers, erosion control, roads, ports, railways, public housing, and other facilities after disasters (Ministry of Land, Infrastructure, Transport and Tourism)
- Restoration of agricultural, forestry and fishery facilities after disasters (Ministry of Agriculture, Forestry and Fisheries)
- Restoration of water facilities, medical facilities, and social welfare facilities after disasters (Ministry of Health, Labour and Welfare)
- Restoration of school facilities and cultural properties after disasters (Ministry of Education, Culture, Sports, Science and Technology)
- Support for the recovery of fishery resources from red tide (Ministry of Agriculture, Forestry and Fisheries), etc.

4. Measures against changing diplomatic and national security environment

(1) Diplomacy and security

Amid the rapidly changing international situation, the government will adopt a flexible and dynamic new-age realist diplomacy while strengthening human networks in order to maintain and strengthen the international order based on the rule of law, with an eye on hosting the G7 Hiroshima Summit next year and serving as a non-permanent member of the United Nations Security Council, and to address global issues and our country's challenges. In the wake of the Russian invasion of Ukraine, the government will provide support to international society including emergency support to the so-called "Global South" countries and regions affected by the complex crisis, such as due to the severe impact of the hike in food and energy prices associated with the situation in Ukraine, in addition to humanitarian support, including assistance for wintering, to Ukraine and neighboring countries receiving refugees from Ukraine, financial support to Ukraine, and support for recovery and reconstruction. The government will also take measures to companies in our country, which have been greatly affected by the hike in prices and the depreciation of the yen overseas, for the smooth implementation of ODA projects in our country.

In light of the rapidly intensifying security environment, the government will work to secure stable operation of the Self-Defense Forces against air threats to our country, strengthen the infrastructure of the Self-Defense Forces, improve living and working conditions, and steadily implement the reorganization of US forces.

At the same time, efforts will be made to strengthen the strategic maritime security system and promote comprehensive maritime security through understanding of the maritime situation. The government will promote smooth enforcement of the Act on the Review of Important Real Estate³⁴.

- Expenses related to the G7 Hiroshima Summit (National Police Agency; Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Health, Labour and Welfare)
- Strengthening the capacity to respond to information warfare (Ministry of Foreign Affairs)
- Support for contributing to strengthening the functions of the United Nations and other international organizations as a member of the UN Security Council (Ministry of Foreign Affairs)
- Support to Ukraine and neighboring countries (Ministry of Foreign Affairs, Ministry of Finance)
- Humanitarian support to countries and regions including those affected by the invasion of Ukraine (Ministry of Foreign Affairs)
- Intensification of diplomatic efforts aimed at promoting economic security contributing to energy security, etc. (Ministry of Foreign Affairs) [Afore-cited]

³⁴ Act on the Review and Regulation of the Use of Real Estate Surrounding Important Facilities and on Remote Territorial Islands (Act No. 84 of 2021).

- Promotion of responsible corporate behavior in countries where Japanese companies have operated (support for implementation of human rights due diligence) (Ministry of Foreign Affairs)
- Non-nuclear youth leader fund contribution (Ministry of Foreign Affairs)
- Response to grant aid projects affected by the weak yen and hike in prices (Ministry of Foreign Affairs)
- Support for international cooperation through UHC2030 to promote UHC (Ministry of Foreign Affairs)
- Strengthening crisis management functions of the Prime Minister's Office (including those related to J-ALERT) (Cabinet Secretariat)
- Strengthening the government's information gathering function and development of information gathering satellites [Afore-cited] (Cabinet Secretariat)
- Strengthening the disaster response capability of the Self-Defense Forces (Ministry of Defense) [Afore-cited]
- Response by the Self-Defense Forces to the changing security environment (Ministry of Defense)
- Emergency project for comprehensive and strategic ocean policy (Cabinet Office)
- Strengthening strategic maritime security system (Ministry of Land, Infrastructure, Transport and Tourism)
- Smooth enforcement of the Act on the Review of Important Real Estate (Cabinet Office), etc.

(2) Economic and food security

With major changes in the international situation, such as Russia's invasion of Ukraine, the importance of economic and food security has been higher than ever before.

With regard to economic security, the government will promptly establish a 500 billion yen framework to support the research and development of quantum, AI, and other advanced critical technologies toward demonstration and practical use. In addition, in order to strengthen supply chain resilience, the government will promptly designate important materials such as semiconductors, important minerals (rare earths, etc.), storage batteries, and pharmaceuticals, and take various support measures for the production, supply, stockpiling, and development of alternative materials according to the characteristics of the materials through the establishment and utilization of funds. The government will also strengthen food security by expanding domestic production of agricultural products and fertilizers that are highly dependent on foreign countries. In addition, it will enhance its capabilities for cybersecurity and intelligence.

This will ensure a resilient economic structure that is not unduly affected by changes in international situation and fluctuations in international commodity markets.

- Strengthening supply chain resilience contributing to ensuring economic security (Cabinet Office)
- Strengthening the Program for Developing Critical Economic and Security Technologies (Cabinet Office) [Afore-cited]

- Strengthening supply chain resilience and ensuring economic security in each sector and material (Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism) [Afore-cited]
- Cybersecurity measures (Cabinet Secretariat; Digital Agency; Ministry of Internal Affairs and Communications) [Afore-cited]
- Intensification of diplomatic efforts aimed at promoting economic security contributing to energy security, etc. (Ministry of Foreign Affairs) [Afore-cited]
- Smooth enforcement of the Act on the Review of Important Real Estate (Cabinet Office) [Afore-cited]
- Measures to increase the production and use of products highly dependent on foreign countries and to substitute and reduce the use of production materials, etc., in order to ensure food security (Ministry of Agriculture, Forestry and Fisheries, etc.) [Afore-cited]^{34F35}, etc.

5. Ensuring people's safety and security

By promoting the "support package for safety and security measures for children," which includes support for the repair of safety equipment for school buses, the government will ensure the safety and security of children and promote measures to enable citizens to live in safety and security.

The government will strengthen measures against malicious business practices, such as reviewing laws related to consumer contracts, etc., and promote consumer policies that address the digitalization of society. In view of the G7 Hiroshima Summit, the government will maintain and improve security and safety by strengthening police escort, vigilance, and security, and strengthening crisis management and intelligence capabilities.

- Safety and security measures for children (Support for repair of school buses, monitoring and attendance management systems, and training on the safety management manual) (Cabinet Office; Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare) [Afore-cited]
- Traffic safety measures (Ensuring safe traffic on school routes, etc.) (Ministry of Land, Infrastructure, Transport and Tourism)
- Project for sophistication of measures against money laundering using AI (Financial Services Agency)
- Control of infectious diseases of domestic animals and control of designated alien species (Ministry of Agriculture, Forestry and Fisheries; Ministry of the Environment)
- Support for fishermen affected by illegal operations by foreign fishing boats (Ministry of Agriculture, Forestry and Fisheries)
- Strengthening and improvement of disaster response capabilities of distribution bases (Ministry of Land, Infrastructure, Transport and Tourism)
- Safety measures for small passenger ships (Ministry of Land, Infrastructure, Transport and Tourism)
- Securing the safety of regional railways and promotion of barrier-free railway stations and the construction of platform doors (Ministry of Land, Infrastructure, Transport and

³⁵ Measures described in Chapter 2, I2. (2) "Establishing a secure and resilient food supply system."

Tourism)

- Enhancing relief measures for car accident victims (Ministry of Land, Infrastructure, Transport and Tourism)
- Measures concerning marine debris (Ministry of the Environment) [Afore-cited]
- Project for accelerating analysis of chemical substances based on the national survey on children's health and environment (Ecochil Survey) (Ministry of the Environment)
- Securing a reserve fund for currency collection for the safe and secure circulation of currency (Ministry of Finance)
- Ensuring the safety and security of consumers (Project for enhancing and strengthening regional consumer administration, Measures against misrepresentation in digital advertising, etc.) (Consumer Affairs Agency)
- Enhancing and strengthening comprehensive legal support through the Japan Legal Support Center (Ministry of Justice)
- Expenses related to the G7 Hiroshima Summit and preparation of equipment and materials for strengthening security (National Police Agency; Ministry of Internal Affairs and Communications; Ministry of Foreign Affairs; Ministry of Health, Labour and Welfare) [Afore-cited]
- Enhancing and strengthening disaster prevention measures in areas around nuclear power plants (Cabinet Office)
- Enhancing and strengthening civil protection-related systems (Digital Agency)
- Emergency measures to strengthen the response capabilities of diplomatic missions abroad in case of emergency (Ministry of Foreign Affairs), etc.

V. Preparation for Future Shocks

The government will increase the amount of the “Contingency Funds for Preparedness against COVID-19 and Steep Rises in Crude Oil Prices and the Cost of Living” in order to keep the country well-prepared for the spread of the coronavirus and for inflation. Moreover, as concerns over global recession are mounting, the Government newly establishes the “Contingency Funds for Economic Preparedness in Light of the Situation in Ukraine (working title)” in order to enable flexible and resilient response to a possible economic crisis that might occur due to a change in the situation in Ukraine or in other international affairs or that might be triggered by a major cold wave or other disaster.

Scale of these Measures

	(Fiscal Expense)	(Project Scale)
I. Countermeasures Against Price Hikes and Efforts for Wage Increases	Approx. 12.2 trillion yen	Approx. 37.5 trillion yen
II. Recovery and Reinforcement of Local “Profitability” Utilizing the Depreciation of the Yen	Approx. 4.8 trillion yen	Approx. 8.9 trillion yen
III. Acceleration of a “New Form of Capitalism”	Approx. 6.7 trillion yen	Approx. 9.8 trillion yen
IV. Ensuring Public Safety and Security, Including Disaster Prevention and Mitigation, Promoting National Resilience, and Responding to Changes in the Diplomatic and Security Environment	Approx. 10.6 trillion yen	Approx. 10.7 trillion yen
V. Preparation for Future Shocks	Approx. 4.7 trillion yen	Approx. 4.7 trillion yen
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Total	Approx. 39 trillion yen	Approx. 71.6 trillion yen

(Reference) Breakdown of Fiscal Expense

	(Fiscal Expense)	(National and local expenditures)	(Fiscal investment and loans)
I. Countermeasures Against Price Hikes and Efforts for Wage Increases	Approx. 12.2 trillion yen	Approx. 12 trillion yen	Approx. 200 billion yen
II. Recovery and Reinforcement of Local “Profitability” Utilizing the Depreciation of the Yen	Approx. 4.8 trillion yen	Approx. 4.8 trillion yen	—
III. Acceleration of a “New Form of Capitalism”	Approx. 6.7 trillion yen	Approx. 6 trillion yen	Approx. 700 billion yen
IV. Ensuring Public Safety and Security, Including Disaster Prevention and Mitigation, Promoting National Resilience, and Responding to Changes in the Diplomatic and Security Environment	Approx. 10.6 trillion yen	Approx. 10.1 trillion yen	Approx. 500 billion yen
V. Preparation for Future Shocks	Approx. 4.7 trillion yen	Approx. 4.7 trillion yen	—
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Total	Approx. 39 trillion yen	Approx. 37.6 trillion yen (Note 1)	Approx. 1.4 trillion yen (Note 2)

(Note 1) The national budget is 35.6 trillion yen, of which the second supplementary budget for FY 2022 is 29.6 trillion yen (General account: 29.1 trillion yen, Special account: 500 billion yen).

(Note 2) The additional amount in the second supplementary budget for FY 2022 is 1 trillion yen.