

Provisional  
translation

# Grand Design and Action Plan for a New Form of Capitalism 2025 Revised Version

June 13, 2025

Grand Design and Action Plan for a New Form of Capitalism  
2025 Revised Version  
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## **I. Realization of a Growth-Oriented Economy Driven by Wage Increase and Investment**

### **1. Establishing the norm of a 1% increase in real wages as the starting point for a growth-oriented economy**

Wage increase is the cornerstone of our growth strategy.

Under the new form of capitalism, measures for wage increase, capital investment, startup development, and innovation have been implemented in an integrated manner, and public-private partnerships have been tenaciously promoted to create momentum for wage increases throughout society.

In the run-up to this year's spring labor-management negotiations, we called for cooperation in wage increases substantially with a view to raising base pay, and have accelerated efforts to create an environment for wage increases.

As a result, the Japanese economy has a historic chance to completely overcome the 30 year long deflationary economy, with wage increases exceeding 5% for 2 consecutive years at the spring labor-management negotiations after an interval of 33 years<sup>1</sup>, record levels of capital investment<sup>2</sup>, and nominal GDP exceeding 600 trillion yen.

Our country's economy is currently at a crossroads as to whether it will be able to shift to a "growth-oriented economy driven by wage increases and investment." In order to realize such a growth-oriented economy, it is important to ensure a virtuous cycle of wage increases and investment, starting with wage increases, by working to ensure that the current trend of wage increases extends to small- and medium-sized enterprises (SMEs) and small-scale business operators, which account for 70% of employment in our country, as well as people working in rural areas, and to further expand and accelerate the virtuous cycle<sup>3</sup>.

Over the 5 years up to FY 2029, we will establish in our country a norm (conventional wisdom) for wage increases of around 1% per annum in real wages for the Japanese economy as a whole, that is, an annual wage increase exceeding inflation by around 1% under sustained and stable inflation.

In order to establish the norm (conventional wisdom) of wage increases, the "Action Plan for a New Form of Capitalism" has been revised. In order to realize a growth-oriented economy driven by wage increases and investment, the public and private sectors will work together to support the management reforms of SMEs and small-scale business operators through the implementation of the "Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business" and to develop an environment for wage increases, to realize stimulating Japan's investment power, to foster startups and strengthen science and technology and innovation capabilities, to promote investment in people and the active participation of diverse human resources, to deepen initiatives for promoting Japan as a leading asset management center, and to upgrade local economies.

### **2. Review of All Systems Entrenched in The Deflationary Era**

In order to put the Japanese economy on a growth path through a virtuous cycle of wage increases and investment, it is necessary to address cost-push inflation and high prices against the backdrop of the recent depreciation of the yen and other factors, and to review various public programs in the budget and tax systems, which have been left unchanged for many years, so that they do not have a serious impact on people's lives, in light of the uptrend in prices. In other words, the government must not only call on the private sector to raise wages and pass on prices, but must also take the lead in wage increases and passing on prices to the public so that the Japanese economy will never return to the deflationary era.

From this perspective, in the "Five-Year Plan for Increasing Wages at Small and Medium

Enterprises and Small Business" the government will 1) thoroughly pass on prices in the public sector demand in order to secure funds for wage increases for workers, 2) work on raising official prices (medical, long-term care, childcare, welfare, etc.), and in order for the government itself to take the lead in achieving wage increases that exceed price increases, 3) conduct a comprehensive inspection and review of the standard amounts and thresholds of public systems related to budget and tax systems at all ministries and agencies. Thereby the government will conduct a comprehensive inspection from all angles to determine whether its system has remained unchanged and fixed for many years since the deflationary era, and whether this hinders the realization of a growth-oriented economy, and will strengthen our country's ability to respond to inflation by drastically reviewing all government systems that were entrenched during the deflationary era. The public and private sectors will also work to dispel the deflationary mindset of consumers.

### **3. Improving Earning Power in a Society with Limited Labor Supply**

The government should play a leading role in dispelling deflationary sentiment in our country, and then expand and accelerate a virtuous cycle of wage increases and investment by enhancing the supply capacity of firms and industries, namely, the "earning power," even as our country has entered a society in which labor supply is constrained in earnest and labor shortages are worsening.

In other words, it is necessary to overcome such challenges as utilizing the strength of manufacturing in our country, taking in the vitality of growth markets such as Asian countries, and pursuing a winning trend in the advanced manufacturing industry, as well as realizing productivity improvement in the service industry in rural areas.

Therefore, even in the ever-changing international economic environment, we will not be shaken by policy changes in other countries. We will enhance predictability and promote domestic investment in an integrated manner with regulations, institutions, and support, including the institutionalization of growth-oriented carbon pricing of more than 150 trillion yen in the GX field, AI and Semiconductor Industry Foundation Strengthening Framework of more than 50 trillion yen in the DX field, and measures to return domestic supply chains in the economic security field. In addition, we will significantly enhance both the quantity and quality of investment in our country by creating and accelerating the growth of medium-sized enterprises, supporting R&D and exports in areas where new winners will emerge, and strengthening growth investment in private equity funds (funds that invest in shares of unlisted companies). In addition, we will strengthen the "Startup Development Five-Year Plan" from the perspective of forming a startup ecosystem in rural areas and promoting post-startup growth, and strengthen the science, technology and innovation capabilities of both universities and companies.

It is the vitality of rural areas that can be a driver of our country's growth, both in terms of overseas markets. It is important to expand the virtuous cycle of wage increases and investment in rural areas with growth potential, and we will work to improve the corporate version of the Hometown Tax donation system for enterprises and improve the environment, including the tax system, so that large companies and startups will have bold incentives to actively invest in infrastructure development. By implementing various ideas, including these efforts, we will accelerate the formation of new types of corporate castle towns across the country.

At the same time, in addition to such efforts to improve "earning power," we will accelerate efforts without loosening the reins on investment in human resources, such as the Trinity Labor Market Reform for structural wage increases, and the promotion of the active participation of diverse human resources, as well as initiatives to create an "promoting Japan as a leading asset management center" that supports the long-term and steady asset building of the people.

While appropriately addressing specific short-term challenges, we will move forward with a sense of speed so that these challenges do not stall our country's structural economic recovery for the first time in 30 years.

## **II. Promotion of the Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business**

Wage increase is the cornerstone of our growth strategy.

Over the 5 years up to FY 2029, we will establish in our country a norm (conventional wisdom) for wage increases of around 1% per annum in real wages for the Japanese economy as a whole, that is, an annual wage increase exceeding inflation by around 1% under sustained and stable inflation.

In particular, in order to swiftly realize and firmly establish nationwide wage increases that can withstand price increases by supporting the management reforms of SMEs and small-scale business operators, which account for 70% of employment in our country, and by developing an environment for wage increases, the government will set forth the following package of policy measures to be taken intensively over the 5 years until FY 2029 as part of the "Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business," and will implement them by mobilizing all policy resources.

Specifically, efforts will be made to enhance the management foundations of SMEs and small-scale business operators by shifting prices and making transactions appropriate, including public sector demand, improving the productivity of SMEs and small-scale business operators, business succession, and M&A, as well as fostering human resources who play an active role in local communities and improving their compensation.

In 12 industries, particularly the service industry, where labor shortages are considered particularly serious and will be greatly affected by the minimum wage increase, it will set productivity improvement targets for each industry and vigorously implement the "Labor Saving Investment Promotion Plan" to realize intensive labor-saving investment and productivity improvement over the 5 years through FY 2029.

With regard to the minimum wage, the government and the private sector will intensively implement maximum measures over the next 5 years by supporting wage increases of SMEs and small-scale business operators affected by the minimum wage through appropriate price pass-through and productivity improvement support, and will continue to make untiring efforts to achieve the high target of a national average of 1,500 yen in the 2020s.

### **Thorough Visualization and Improvement of Price Passing by Country, Municipality, and Industry**

In order to raise wages of SMEs and small-scale business operators and secure resources for management reform, the Government will promote the introduction and utilization of the low bidding price survey system and the minimum price limit system in the public sector demand of local governments (17.4 trillion yen in FY 2023) and the public sector demand of the national government and independent administrative agencies (11 trillion yen), which account for the majority of demand for SMEs and small-scale business operators in local areas. The Government will also promote the implementation of accurate ordering procedures and thorough price passing through measures such as visualization of the introduction of both systems in local governments and thorough utilization of priority support grants. In addition, by strengthening the enforcement of the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators and thoroughly complying with the guidelines on price

negotiations for appropriate pass-through of labor costs, particularly in industries with low price pass-through rates, we will establish the business practice of passing on prices, including labor costs, as well as passing on raw materials and energy costs, throughout society.

### **60 Trillion Yen in Public-Private Investment Over 5 Years to Improve Productivity and Meticulous Support from More Than 2,000 People Nationwide**

In order to achieve the new public-private targets for domestic investment at 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040 without fail, we will invest approximately 60 trillion yen (based on the Basic Survey on Small and Medium Enterprises) over the 5 years through fiscal 2029 to enable SMEs and small-scale business operators, which are important players in these efforts, to improve their productivity through labor saving and other measures even under labor supply constraints. For this purpose, along with the implementation of the "Labor Saving Investment Promotion Plan" for 12 industries, the government and private sectors will invest approximately 60 trillion yen in productivity improvement through nationwide support using digital support tools at approximately 2,200 associations of commerce and industry, chambers of commerce and industry and the National Federation of Small Business Associations, etc., introduction of government support and support using digital support tools by approximately 500 regional financial institutions nationwide for SMEs and small-scale business operators that struggle with wage increases, etc., dispatch of experts and thorough accompanied support to SMEs and small-scale business operators that wish to participate, and multi-year productivity improvement support.

### **Establishment of A Support System That Enables All 3.36 Million Managers to Consult on Business Succession and M&A at Any Time**

Of the 3.36 million SMEs and small-scale business operators, about 1 million have managers aged 70 or older. Against the background of the aging of these managers, the number of closures of profitable businesses is increasing. In light of this situation, we will develop a business environment in which all willing managers can make future management decisions systematically, including options such as business succession and M&A, based on their own intentions and the state of their business foundations.

### **Development and Compensation Improvement of Local Human Resources**

In order to achieve sustainable wage increases for frontline workers, who account for about 60% of the working population that supports the lives of the people, it is necessary to acquire advanced skills and raise productivity, while making their jobs more attractive, including in terms of treatment. By fostering Advanced Essential Workers (essential workers who earn higher wages than currently available through the use of digital technology, etc.), reskilling a wide range of workers based on technological trends such as AI, and raising official prices at medical, long-term care, childcare, and welfare sites, we will create an environment in which individual workers can play an active role based on their own will in every region of the country.

### **Support for Improvement of Environment for wage increases in Rural Areas for Regional Revitalization**

With regard to improving the productivity of SMEs and small-scale business operators and passing on public sector demand to the public, etc., as set forth in the "Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business," the national government will support efforts by prefectures and municipalities to develop an environment for wage increases in a fine-tuned manner according to local conditions through the use of various subsidies, etc. In doing so, efforts shall be advanced by communicating well with local



labor and management.

<b>1 Passing on prices and making transactions appropriate, including public sector demand</b>
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The price pass-through rate has been gradually increasing due to the efforts of the public and private sectors to pass on prices. On the other hand, the proportion of enterprises that responded that they were "unable to pass on prices at all" has decreased but remains, and it is necessary to further promote appropriate transactions, including measures to pass on prices.<sup>4</sup> In addition, it is important that intellectual property, which is the source of earning power and the key to productivity improvement of SMEs and small-scale business operators, is properly protected in transactions with large enterprises.

In order for SMEs and small-scale business operators to take on the challenge of business transformation in order to compete in a "growth-oriented economy," it is first necessary to create an environment in which they can secure sufficient financial resources to enable active wage increases and investment.

With the aim of establishing appropriate trade practices throughout society, the government will thoroughly implement measures to improve the pass-through of labor costs by industry and scale by strengthening the enforcement system of ministries and agencies with jurisdiction over each industries based on the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators and utilizing the Labor Standards Inspection Offices. At the same time, the government will newly formulate the "Policy Package for Price Pass Through in Public Sector Demand," which is of high importance to local SMEs and small-scale business operators, as follows, and will vigorously implement these measures through concerted efforts by relevant ministries and agencies.

In addition, efforts will be made to strengthen protection and promote the use of intellectual property, which is the key to the source of earning power and productivity improvement of SMEs and small-scale business operators.

**(1) Strengthening price-passing measures for public sector demand**

Public sector demand accounts for a higher proportion of prefectural GDP in rural areas and plays an important role in local economies.<sup>5</sup> From the perspective of wage increases and securing resources for investment by SMEs and small-scale business operators, in order for related ministries and agencies to cooperate and make comprehensive efforts, the following will be strongly implemented as a "policy package for price pass through in public sector demand."

**1) Thorough pass-through of labor costs**

With regard to public sector demand, it is necessary to examine whether it is appropriate not only from the point of view of the ordering party but also from the point of view of the receiving party. From this perspective, we will thoroughly implement measures such as "sliding measures in response to price increases" and "mid-term revisions," which are stipulated to be implemented in the "Basic Policy on Government Contracts for SMEs," which has been decided by the Cabinet based on the Public Sector Demand Act. It is necessary for local governments to take thorough measures in accordance with the Basic Policy, and not only to issue notices but also to follow up on the results.

The national government and independent administrative agencies and local governments will secure the necessary budgets to implement appropriate price pass-through in public sector demand.

In particular, appropriate measures will be taken in the budgeting process, including the

budget request stage, to deal with the portion of obligatory expenses that will respond to inflation. Regarding the subsidy for operating expenses of national university corporations, appropriate measures will be taken based on the actual situation on the ground. The financial burden of local governments will be appropriately included in local fiscal plans, and local fiscal measures will be appropriately implemented based on these plans. Appropriate measures will also be implemented, such as making further use of priority support grants for mid-year responses so that they are distributed as widely as possible to businesses in need. In responding to these issues, we will take the following points into consideration.

- To enable unit prices, etc., in a budget to cope with an increase in minimum wages and an increase in energy charges. The same shall be applied to the estimated price of orders, and it shall be strictly prohibited to use the low bid price of the previous fiscal year as the basis for consideration of the estimated price of the next fiscal year.
- After the contract is concluded, we will respond appropriately to inflation and minimum wage increases in the middle of the fiscal year. In addition, any necessary changes to the contract will be implemented depending on the circumstances after the contract, including long-term continuation contracts. In the designated manager system, various price and minimum wage increases during the period are appropriately reflected in commission fees. In doing so, efforts will be made to simplify procedures as much as possible.
- In the case of land improvement works, consideration shall be given to the beneficiaries' burden.

Furthermore, in light of the fact that many local governments are not fully aware of the importance of price pass-through in the municipal waste disposal industry, etc., we will further disseminate and follow up on the notice issued by the government to urge local governments to implement price pass-through measures and lead to results. In doing so, we will try to develop good examples of price negotiations and price pass-through by industry.

## 2) Low Bidding Price Survey System for the National Government and Independent Administrative Agencies

The low bidding price survey system does not function from the perspective of the receiving party, with less than 1% of projects subject to the low bidding price survey being disqualified. The national government and independent administrative agencies will implement the low bidding price survey system in an appropriate manner, and the introduction of the system will be expanded to include contracts other than construction contracts.

In addition, contracts subject to the survey under this system will be disqualified in principle because they have extremely low bidding rates, generally less than 60% of the estimated price. If such a review of operation is implemented and the current situation fails to be improved, we will consider a drastic reform, including the introduction of a minimum price limit system.

In addition, we will thoroughly investigate the payment of the minimum wage, legal welfare expenses such as social insurance, implementation plans, the number of employees assigned, and the total amount at the bid price in the investigation based on this system, and will significantly strengthen the inspection after the investigation is conducted.

With regard to the criteria for establishing the low bidding price survey system, the appropriate rate for complying with various laws and regulations will be verified for each industry, and the same treatment will be ensured for similar orders.

## 3) Local government's low bidding price survey system and minimum price limit system

Regarding the low bidding price survey system and the minimum price limit system, there are a great number of local governments that have not introduced the system except for those

related to construction. In particular, about 70% of municipalities have not introduced the system.<sup>6</sup> About the reason for not introducing, another major problem is said that many local governments do not recognize the need for such systems. In light of this, unless there is a special reason, a minimum price limit system will be applied to all orders. If such a review of operation is implemented and the current situation fails to be improved, we will consider a drastic reform of the system.

In addition, the introduction status of both systems in local governments will be visualized in a comprehensive manner. In addition to ensuring prompt introduction of the system in construction, the system will be expanded to include contracts other than construction contracts.

With regard to the standards for setting the minimum price limit system, etc., the appropriate rate for complying with various laws and regulations shall be indicated for each industry and uniform standards shall be developed.

In addition to actively accepting complaints and consultations from SMEs and small-scale business operators regarding public sector demand in the Subcontracting Help Center and establishing a mechanism for sharing the outline of individual consultations with the Ministry of Internal Affairs and Communications to confirm the status of responses, the Governments will provide appropriate advice and guidance so that each local government can respond appropriately.

The system will be reviewed so that it can support local governments with severe manpower, for example, by setting a certain direction on the standard values in each municipality.

#### 4) Specific Efforts for Accurate Ordering

Thorough efforts will be made to evaluate factors other than price in the public sector demand, such as setting regional requirements for emergency response and shortening the construction period by using new technologies.

To create and disseminate templates of contract terms and conditions such as slide clauses and cancellation policies. In the case of adopting the open counter method, appropriate regional requirements shall be attached, and it shall be confirmed whether the price stated in the submitted quotation, etc., is too low to interfere with the performance of the contract.

To set appropriate labor cost for public works design suitable for qualified workers. We will also consider creating standards for labor costs under the revised Construction Business Act for a wide range of jobs, including traffic guidance guards.

At the same time, we will sincerely address various issues in each field and take appropriate measures.

- In the fuel retailing industry, the national government or local governments that have concluded disaster agreements with oil cooperatives can enter into discretionary contracts with the oil cooperatives. The national government will actively utilize this system and local governments will be encouraged to actively utilize it.
- Ensure separate ordering in the security and building maintenance industries.
- In the security industry, the extra charge for security work such as dangerous work shall be made into a rule.
- In the printing industry, change many government contract forms which are for the purchase of goods to contract agreement.
- Thorough implement the content version of Bayh-Dole Act, in the printing industry.
- Under the revenue cap system for electricity wheeling charges, the necessary costs (revenue caps) will be changed appropriately according to changes in the situation after national approval.
- Indirect office expenses related to outsourcing to NPOs, etc., shall be set appropriately

according to the contents of the business.

In addition, appropriate measures will be taken, including consideration of the need to review the bidding system for plastic containers and packaging based on the Containers and Packaging Recycling Act.

## **(2) Further promotion of pass-through of labor costs**

In recent years, the price pass-through rate for SMEs and small-scale business operators, including labor costs, has been on an improving trend as a whole. However, even by industry, further improvements are needed, for example, in industries such as trucking, advertising, and broadcast content. At the same time, price pass-through among SMEs and between SMEs and small-scale business operators is also an issue. In view of the fact that there are various forms of supply chains in each industry, the ministries and agencies with jurisdiction over each industry will closely monitor the progress in passing on labor costs and other costs by industry, and will further promote appropriate transactions, including transactions between SMEs and between SMEs and small-scale business operators.

### **1) Strengthening the system for strengthening enforcement of the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators and stricter measures**

In addition to taking measures such as prohibiting the determination of payment amounts without appropriate consultation with business partners, in response to the enactment of the Act to Amend the Subcontract Act (Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators), which newly grants the authority to provide guidance and advice to the ministries and agencies with jurisdiction over business, the Japan Fair Trade Commission will drastically strengthen its system for the enforcement of the Act. At the same time, a cooperation system with the SME Agency and the ministries and agencies with jurisdiction over business will be established at an early stage, and the execution system will be drastically strengthened so that the ministries and agencies with jurisdiction over business can conduct inspections based on the Act and deal with problem cases appropriately.

In particular, in order to thoroughly improve the price-passing situation by industry, particularly in industries with lower than average price-passing rates, the ministries and agencies with jurisdiction over each industry will strengthen the execution system across ministries and agencies, such as the Subcontract G-Men by the SME Agency and the G-Men engaged in the matter relevant to the abuse of superior bargaining position by the Fair Trade Commission. In addition, the SME Agency and the Japan Fair Trade Commission will share specific execution and operational know-how, and the framework for improving the trading environment through the G-Men by industry will be expanded to the ministries and agencies with jurisdiction over industries with low price-passing rates and many issues. We will establish the execution system on the sufficient scale.

In order to further promote appropriate transactions by SMEs, measures will be considered and taken to suspend subsidies and eligibility to participate in bidding for enterprises that have received recommendations for violations of the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators while paying attention to the nature of the conduct and its impact on transactions with SMEs.

### **2) Further expansion and ensuring effectiveness of the Declaration of Partnership Building**

The number of companies that declared partnership building increased to approximately 70,000 in May this year, and it is estimated that more than 80% of the companies that declared partnership building responded to price negotiations. On the other hand, since the Declaration has not been widely adopted in some industries, we will encourage executive companies of

industry associations that have established voluntary action plans for the optimization of transactions to adopt the Declaration, and will expand the scope of the Declaration by, for example, expanding the measures for adding points to subsidies related to productivity improvement. In addition, in light of the fact that some companies have been pointed out by their clients that their actions may be problematic, we will take measures to ensure the effectiveness of the declaration by, for example, discontinuing the publication of the declaration by companies that violate the declaration content and excluding them from the scope of measures to add points to subsidies related to productivity improvement and the tax credit for promoting wage increases for a certain period of time.

3) Thorough implementation of the "the Guidelines on Price Negotiation for Appropriate Pass-through of Labor Costs " throughout the supply chain

Although the Guidelines are gradually spreading, in light of the situation where less than half of the public is aware of the Guidelines, for the 22 priority industries that require special measures, such as those in which the ratio of labor costs to total costs is high or the rate of labor cost pass-on is low, we will focus on confirming whether the compliance with the Guidelines is thorough down to the depth of the supply chain, and will consider further improvement measures as necessary, as well as making efforts to disseminate the Guidelines further.

4) Utilization of Labor Standards Inspection Offices to penetrate pass-through of labor costs to deeper levels of the supply chain

In order to permeate the necessity of passing on labor costs, etc., to the managers deep in the supply chain, including transactions between SMEs and small-scale business operators, Labor Standards Inspection Offices (321 offices nationwide) will seize opportunities to provide supervision and guidance to companies and work on securing sources of funds for wage increases for SMEs and small-scale business operators, including utilizing the Guidelines for Labor Costs Pass-through and contact points at the Japan Fair Trade Commission and the Small and Medium Enterprise Agency.

5) Elimination of deflationary mindset in the public and private sectors

In our country, too, over the past 20 years, the number of consumers who place importance on added value rather than price, such as "paying for added value I like" and "placing importance on convenience over cheapness when making purchases," has gradually increased. In order to promote the pass-through of prices in the retail and service industries, the government and the private sector will publicize and educate consumers in order to dispel the deflationary mindset of consumers, so that society as a whole will accept the idea that "good goods and good services are priced appropriately."

**(3) Strengthening protection of intellectual property of SMEs and small-scale business operators**

According to a survey by the Small and Medium Enterprise Agency, SMEs that cite "research and development" as the main use of profits tend to see large growth in sales.<sup>7</sup> On the other hand, in view of the fact that SMEs and small-scale business operators are sometimes subject to intellectual property infringement in their business relationships with large enterprises, the government as a whole will work to improve the intellectual property management literacy of SMEs and build a system to strengthen the prevention of infringement. In addition, the Japan Fair Trade Commission will conduct a fact-finding survey and, based on the results of the survey, formulate guidelines for appropriate intellectual property

transactions under the Anti-Monopoly Act and work to ensure thorough compliance. In addition, in order to enhance the earning power of SMEs and small-scale business operators by promoting the utilization of IP, we will also provide assistance through the IP Business Management Support Network (a framework in which the Japan Patent Office, the National Center for Industrial Property Information and Training, the Japan Patent Attorneys Association, and the Small and Medium Enterprise Agency cooperate with the Japan Chamber of Commerce and Industry to support SMEs and small-scale business operators from the perspective of intellectual property), including the creation of good practices and accompanied support, and the development of human resources to support IP management.

## **2. Improving productivity of SMEs and small-scale business operators, particularly in the service sector**

At present, firms' perception of labor shortages has increased to the highest level since the bubble period. This is particularly serious for SMEs and small-scale business operators, which provide 70% of employment in Japan, and the service sector, which also provides 70% of employment. While the working-age population in our country is expected to continue to decrease and labor supply constraints are expected to become more severe, sufficient labor-saving investment and digitalization have not yet advanced. In light of this, we will intensively support productivity improvement through labor-saving investment and digitalization investment over the 5 year period as the period of intensive approach from this year to FY 2029 in order to enable SMEs and small-scale business operators to improve added value even under labor supply constraints.

Labor saving investment promotion plans were drawn up for each industry, particularly for industries that need productivity improvement, because they are significantly affected by minimum wage hikes and industries with serious labor shortages<sup>8</sup>. In this process, we will set productivity improvement targets for each industry and, over the 5 year period ending in FY 2029 as the period of intensive approach, will work to enhance detailed responses and support measures based on the characteristics of each industry and to develop a nationwide support system.

Efforts will also be strengthened to enable growth-oriented SMEs and small-scale business operators to actively invest in their own value-added.

### **(1) Implementation of Labor-Saving Investment Promotion Plans by industry**

In 12 industries (food and beverage, accommodation, retail, lifestyle-related services (barber, beauty, dry cleaning, ceremonial services), other services (automobile maintenance and building maintenance), manufacturing, transportation, construction, medical care, nursing care and welfare, childcare, agriculture, forestry and fisheries), particularly the service industry, which will be greatly affected by the minimum wage increase and are considered to have particularly serious labor shortages, the ministries and agencies with jurisdiction over these industries will announce the targets and specific measures of public and private efforts as the "Labor Saving Investment Promotion Plan," in light of the fact that there is an even greater need to improve productivity in these industries.

The targets set forth here are the targets that the government should aim to achieve in order for SMEs and small-scale business operators, which support the regional economy, to continue to grow even as our country's working-age population declines and labor supply constraints become increasingly severe, and the government will support intensive labor-saving and digitalization investment toward these targets.

Given that many of these industries are in the service sector, the plan will provide detailed support for productivity improvement in each industry by the ministries and agencies with jurisdiction over each industry grasping issues and good practices in each industry and developing a nationwide support system.

The government will enhance the system for providing guidance and advice on what specific measures should be taken by SMEs and small-scale business operators nationwide to improve their productivity through review of investment and business processes, etc., and make efforts to disseminate information and awareness in an easy-to-understand manner so that SMEs and small-scale business operators across the country can be fully aware of the situation.

To promote productivity improvement, it is essential to grasp the actual conditions based on business processes in each industry. Based on good practices and points for effective labor-saving investment in each industry, we will promote i) the introduction of products and systems that are key to improving operational efficiency in the front yard of each industry, and ii) the introduction of digital tools in the back office in accordance with the actual conditions of each industry. At the same time, we will steadily implement initiatives based on the roadmap centered on the period up to FY 2029, including measures to spread pioneering labor-saving initiatives implemented by some leading companies across the industry.

Lack of knowledge and experience in labor-saving investment has become a bottleneck in labor-saving investment by SMEs and small-scale business operators<sup>9</sup>. Taking into account the opinions of SMEs and small-scale business operators that it is difficult to standardize business operations, the government will support the review of business processes that are a prerequisite for labor-saving investment as well as efforts to standardize business operations and standards within the industry, including the service industry. At the same time, necessary systems and regulations will be reviewed and regional energy conservation efforts will be promoted.

Taking into account the characteristics of each industry, the government will take measures based on the fact that it is important to promote both measures to support productivity improvement and to pass on prices and rationalize transactions, including public sector demand.

The productivity targets set for each industry will be achieved through comprehensive efforts including "1. Passing on prices and making transactions appropriate, including public sector demand" and "3. Strengthening the management base of SMEs and small business operators through business succession and M&A" in this package of measures, while focusing on labor-saving investment.

As future measures, the government will grasp the scale of labor-saving investment by industry and market size, analyze the actual conditions and effects of related subsidies and loans, and provide effective information so as not to invite excessive investment by SMEs and small-scale business operators. At the Liaison Conference of the relevant Ministries and Agencies for the formulation and implementation of the labor-saving investment promotion plan, we will continuously manage the progress of measures and enhance the content based on this.

At the same time, not only the industries covered by the Labor Saving Investment Promotion Plan, but also a wide range of SMEs and small-scale business operators will be encouraged to make investment for growth, promote market development and overseas expansion, and support SMEs and small-scale business operators to take on challenges by strengthening matching. At the same time, a virtuous cycle of the local economy will be pursued through revitalization of local consumption.

## **(2) Thorough accompanied support for Labor-Saving Investment Promotion Plans by industry through a nationwide support system and enhancement of cross-industry support**

In view of the fact that local service industries and small-scale business operators in particular lack the know-how, human resources, and financial resources to take measures to

improve their productivity, and that there are challenges in accessing the current government support measures and in the administrative burden at the time of application, we will consider developing a new support system that will provide thorough accompanied support to SMEs and small-scale business operators that wish to do so nationwide. In doing so, we will encourage regional financial institutions to serve high-value-added consulting functions and support labor-saving investment by SMEs and small-scale business operators, in light of the fact that supporting businesses that are in a difficult environment due to labor shortages and contributing to the recovery and growth of regional economies are positioned as important roles related to the existence of the business foundations of regional financial institutions in the Comprehensive Guidelines for Supervision of Small- and Medium-Sized and Regional Financial Institutions.

We will continue to improve the operation of catalog-type and custom-made labor-saving investment subsidies so that they can be used by a wide range of industries and local SMEs and small-scale business operators, and will expand the support menu. We will also strengthen subsidies for business improvement and subsidies to support capital investment in various industries. At the same time, measures will be taken to strengthen the Productivity Revolution Promotion Program (subsidies for manufacturing, IT introduction, business succession and M&A, subsidies for the sustainability of small-scale business operators, and subsidies for growth acceleration) and subsidies for entering new businesses.

In addition, other industries, such as the security industry, will be added to the labor-saving investment promotion plan after examining the issues and effects of labor-saving investment and digitalization investment mainly by the ministries and agencies with jurisdiction in light of the actual situation and trends such as labor shortage.

### **(3) Specific measures for labor-saving investment in 12 industries**

#### **1) Food and beverage industry**

##### **i) Goal**

The aim is to improve labor productivity in the food and beverage industry by 35% by FY 2029 (from FY 2024, nominal value).

##### **ii) Issues and examples of labor saving**

The food and beverage industry creates about 4 million jobs, but the majority of them are part-time workers, and most of them are small and medium-sized enterprises. The labor shortage is also conspicuous in all processes of cooking, serving and store management, and the shortage of store managers in charge of store management is particularly serious. On the other hand, there are good examples of labor saving through the introduction of cooking and dishwashing robots in the cooking process, mobile order self-register, and serving and preparation robots in the serving process, and IT tools for inventory, sales, and personnel management in the store management process.

##### **iii) Labor-saving promotion measures**

- By the end of FY 2025, we will draw up a guidebook (industry action plan) that contains detailed labor-saving guidelines and best practices according to the scale and type of business. In addition, food and beverage companies that are actively making efforts to improve productivity will be awarded.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages. At the same time, we will promote the use of financing support for capital investment by the Japan Finance Corporation.

##### **iv) Support system**

As a support system for businesses working to disseminate measures to businesses and save



labor, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health, Labour and Welfare will cooperate with the Japan Food Sanitation Association and other organizations to thoroughly disseminate support measures, including to medium-sized businesses where the national approach has been weak.

v) Key KPIs

By the end of FY 2025, we will disseminate support measures to 70% of the approximately 400,000 food and beverage companies. In addition, by 2030, a total of 100 "business action plans to promote efforts toward the establishment of sustainable food systems," such as improving productivity, will be certified.

2) Accommodation industry

i) Goal

The aim is to improve labor productivity in the accommodation industry by 35% by FY 2029 (from FY 2024, nominal value).

ii) Issues and examples of labor saving

The accommodation industry has been suffering from a labor shortage for a long time, and recently, the sense of labor shortage has further increased due to the recovery of tourism demand. In addition, there are many small-scale business operators, and labor saving tends not to be sufficiently advanced. On the other hand, there are good examples of labor saving through the introduction of PMS (property management system), which enables real-time confirmation of reservation information from anywhere and streamlines the overall business flow such as coordination with accounting, and automatic check-in machines, which reduce the workload of front desk operations.

iii) Labor-saving promotion measures

- As a measure to materialize the horizontal development of good practices, we will also promote the use of projects to address human resource shortages in tourist destinations and the tourism industry (capital investment subsidies). In addition, we will promote labor-saving measures through the relaxation of front desk regulations under the Hotel Business Act (revised in March 2025), which obviates the need for interviews with employees by means of identity verification through automatic check-in devices.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages. At the same time, we will promote the use of financing support for capital investment by the Japan Finance Corporation.

iv) Support system

We will establish a support system for businesses working to inform them of measures and to save labor in cooperation with local governments, relevant ministries and agencies, accommodation business associations, etc. In addition, the Environmental Health Business Guidance Center in each prefecture will provide consulting support accompanied by experts.

v) Key KPIs

From FY 2025 to FY 2029, we will achieve 900 cases of using subsidy programs, 400,000 page views per year on policy websites, and 500 participants per year in explanatory meetings and consultation meetings.

3) Retail industry

i) Goal

The aim is to improve labor productivity in the retail industry by 28% by FY 2029 (from FY 2024, nominal value).

ii) Issues and examples of labor saving

Retail industry is a labor-intensive industry and productivity is lower than in other industries.

The present situation is that a great deal of manpower is required for the operation of the store, such as dealing with customers, paying at the cash register, and cleaning the store. On the other hand, there are good examples of promoting infrastructure for DX promotion such as POS cash registers and shift management, utilizing cleaning robots and remote customer service systems, and realizing labor saving.

iii) Labor-saving promotion measures

- As a measure to materialize the horizontal development of good practices, an easy-to-understand and detailed collection of good practices concerning labor-saving efforts such as IT introduction, outsourcing, collaboration, and human investment will be prepared. In addition, information sharing systems, briefings, seminars, etc., will be held in cooperation with industry organizations, and information on good practices will be provided and disseminated horizontally through the use of publicity channels such as industry newspapers.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages.

iv) Support system

Information will be provided through multiple industry groups, etc., as a support system for businesses working to inform them of measures and to save labor. In addition, a wide range of businesses will be approached, including small and medium-sized businesses that do not belong to industry associations, through a combination of push-type support provided by SME support organizations and specialized support accompanied by advisors.

v) Key KPIs

Since FY 2026, we will hold roundtable meetings with industry groups about 5 times a year and disseminate timely information to a total of about 4,300 companies each time. Achieve 1,000 cases of using subsidy programs per year.

4) Lifestyle-related services (barber, beauty, dry cleaning, ceremonial services industries)

i) Goal

Among the lifestyle-related services, the aim is to raise labor productivity in the barber, beauty and dry cleaning industries by 29% by FY 2029 and in the ceremonial services industry by 24% by FY 2029 (from FY 2024, nominal value).

ii) Issues and examples of labor saving

In the barber, beauty and dry cleaning industries, there are many small, medium and micro enterprises and individual and family businesses, and the aging of the managers is progressing. It is necessary to promote labor-saving mainly in the operation and management of stores as much as possible by introducing automatic ticket vending machines, POS cash registers and accounting management systems, and to create an environment where people can focus on high-value-added treatments and services. In addition, in the ceremonial services industry, it is necessary to reduce the labor of clerical work other than the core customer service by unifying the information of customers, orders received, invoices, deposits, etc., in the system.

iii) Labor-saving promotion measures

- As measures to materialize the horizontal development of good practices, in the ceremonial services industry, detailed case studies on labor-saving initiatives such as the introduction of IT will be prepared, and information on good practices will be provided and promoted horizontally by holding explanatory meetings in cooperation with industry groups.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages. At the same time, we will promote the use of financing support for capital investment by the

Japan Finance Corporation.

iv) Support system

Information will be provided through industry associations as a support system for businesses working to inform them of measures and to save labor. In addition, a wide range of businesses will be approached, including small and medium-sized businesses that do not belong to industry associations, through a combination of push-type support provided by SME support organizations and specialized support accompanied by advisors. In the barber, beauty and dry cleaning industries, consultation support accompanied by experts will be provided mainly through the Environmental Health Business Guidance Center.

v) Key KPIs

From FY 2025 to FY 2029, the barber, beauty and dry cleaning industries will hold 250 seminars on labor-saving support measures. In addition, 1,000 cases of accompanied consultation support will be provided annually. The ceremonial services industry should utilize the subsidy programs at least 110 times a year on average.

5) Other services (automobile maintenance and building maintenance)

i) Goal

The aim is to raise labor productivity in the automobile maintenance industry by 25% by FY 2029 (from FY 2024, nominal value). The aim is also to improve labor productivity in the building maintenance industry by 25% by FY 2029 (from FY 2024, nominal value).

ii) Issues and examples of labor saving

In the automobile maintenance industry, the number of students enrolled in Professional Training Colleges has decreased by half in 20 years, and labor shortage and aging are progressing, and labor saving is urgently needed. As countermeasures, it is effective to inventory and work management by introducing a system, to improvement the efficiency of detecting failure with scan-tools and so on. The building maintenance industry is a labor-intensive industry in which 80% of workers are engaged in cleaning work. Labor shortages continue due to psychological and physical burdens, and it is necessary to support labor-saving investment. As countermeasures, it is effective to entrust large and flat areas such as lobbies to cleaning robots, and to introduce an attendance management system that efficiently manages the attendance and leaving of field workers and part-time workers.

iii) Labor-saving promotion measures

- As a measure to materialize the lateral development of good practices, the automobile maintenance industry, it will be promoted to utilize of subsidies for scan-tools. In addition, in order to enable flexible human resource development and assignment, it will be revised for the practical requirements for automobile mechanics license, and so on. In the building maintenance industry, we will support the publication of a collection of good examples of labor saving and the horizontal development of good examples of labor saving events.
- In addition, it will be promoted to utilize of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages.

iv) Support system

Regarding the communication of measures to businesses and the support system for businesses working on labor-saving efforts, in the automobile maintenance industry, it will be established advisers for informing and consulting industry groups about subsidies to inform all business operators of support measures contributing to labor-saving investment to encourage utilizing of them. In the building maintenance industry, information on various subsidies, etc., will be provided in cooperation with industry groups, and information will be effectively disseminated through the publicity channels of industry groups.

#### v) Key KPIs

Increase the adoption rate of scan-tools in the automobile maintenance industry to 100% by FY 2029. From FY 2025 to FY 2029, the building maintenance industry will connect to a total of 2,800 online seminars annually.

### 6) Manufacturing

#### i) Goal

The aim is to improve labor productivity in the manufacturing industry by 24% by FY 2029 (from FY 2024, nominal value).

#### ii) Issues and examples of labor saving

In some manufacturing industries, such as the textile industry, the plastic product manufacturing industry, and the food manufacturing industry, the proportion of SMEs is high, and labor productivity is lower than the average for all industries due to their labor-intensive nature. On the other hand, there are good examples of labor saving such as labor saving by introducing robots, efficiency improvement of manufacturing process such as visualization of operation status and improvement of operation rate by introducing IoT system, and efficiency improvement of management work by introducing accounting system.

#### iii) Labor-saving promotion measures

- As measures to materialize the horizontal development of good practices, the government will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and the "wage increase" support subsidy package. Support will also be provided for the development of robots that can be used for high-mix, low-volume production to meet the needs of the field. Good practices are also introduced in the White Paper on Manufacturing and the White Paper on Small and Medium Enterprises in Japan.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages.

#### iv) Support system

Information will be provided through multiple industry groups regarding the dissemination of measures to businesses and support systems for businesses working to save labor. In addition, we will take a multi-pronged approach to business operators that do not belong to industry associations, such as urging the industry to make transactions more appropriate and imposing conditions such as improving productivity through private organizations that support the specified skill system. In addition, in the food manufacturing industry, detailed information on measures will be disseminated through the Food Industry Productivity Improvement Forum, which consists of food companies, machinery manufacturers, research institutes, etc., and a total support system will be established.

#### v) Key KPIs

From FY 2025 to FY 2029, we will increase the number of applications of the IT introduction subsidy programs to 7,500 or more per year on average. Increase the number of member companies of the Food Industry Productivity Improvement Forum to 9,000 by 2030.

### 7) Transportation

#### i) Goal

By FY 2029, the aim is to improve labor productivity in the transportation industry by 18% in the railway sector, 25% in the automobile (logistics) sector, 26% in the automobile (passenger transport) sector, 22% in the water transport sector, and 21% in the transportation machinery and equipment manufacturing sector, including the shipbuilding and marine industries (from FY 2024, nominal value). In the aviation sector, the aim is to improve labor productivity by 5% by FY 2029 (from FY 2024, real value).

## ii) Issues and examples of labor saving

In the transportation industry, labor shortages are becoming serious in all sectors. In the automobile (logistics and passenger transportation) sector, many small and medium-sized enterprises manage their books on paper, prepare ride allocation plans and routes by hand, and are slow in DX. On the other hand, there are good examples of labor-saving efforts through systems for operation management, automatic creation of daily crew reports, and work management that reduce the workload of crew members and managers, as well as automated equipment that contributes to the introduction of ride-hailing apps, cashless payments, and efficient in-warehouse operations.

## iii) Labor-saving promotion measures

- As a measure to materialize the horizontal development of good practices, support will continue to be provided to transport and logistics businesses for the introduction of systems and facilities that contribute to operational efficiency. In addition, information on good practices will be provided through seminars for business operators organized by industry groups, and cross-promotion will be implemented.
- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages.

## iv) Support system

As a support system for businesses working to disseminate measures to businesses and to save labor, the Ministry of Land, Infrastructure, Transport and Tourism Headquarters, Transport Bureaus, and Branch Offices will work together to build a broad support system across the country so that support can reach businesses with labor-saving needs. Support for DX will also be provided, including consultation and advice by experts.

## v) Key KPIs

In the railway sector, by FY 2029, the ratio of small and medium-sized railway operators that are making efforts to save labor and improve efficiency will be 50% in the engineering department and 45% in the electricity department. In the automobile (logistics and passenger transport) sector, work efficiency will be improved through DX, etc. In the maritime field, we will disseminate project results and good practices through explanatory meetings with related organizations. In the aviation sector, a support system for labor-saving investment and a briefing session on good practices will be held every year.

# 8) Construction

## i) Goal

The aim is to improve labor productivity in the construction industry by 9% by FY 2029 (from FY 2024, real value).

## ii) Issues and examples of labor saving

Labor productivity in the construction industry remains low compared to other industries, and the aging of the workforce has made it an urgent issue to improve labor productivity in anticipation of future labor shortages. Furthermore, the use of ICT by small and medium-sized construction companies remains a challenge. On the other hand, there are good examples of labor and safety management by remote monitoring using wearable cameras, labor saving in field operations by introducing surveying using drones, and labor saving in back office operations by introducing systems such as employment management and construction cost preparation.

## iii) Labor-saving promotion measures

- As a measure to materialize the horizontal development of good practices, we will disseminate to construction companies the guidelines (ICT Guidelines) that summarize the basic concepts and points to be noted in ICT utilization and the collection of good

practices (ICT case studies). In addition, we will promote the use of subsidized projects for the construction of rapid and efficient emergency restoration systems using ICT, thereby promoting greater understanding and dissemination of ICT utilization in the construction industry. At the same time, we will publicize measures to rationalize staffing by relaxing the obligation of engineers to be dedicated, and promote the use of such measures.

- In addition, we will promote the use of subsidies for labor-saving investment at SMEs, subsidies for IT introduction, and "wage increase" support subsidy packages.

iv) Support system

Regarding the communication of measures to businesses and the support system for businesses working on labor-saving efforts, the government will implement various measures to actively promote ICT utilization in cooperation with related organizations, local governments will provide guidance and advice on ICT utilization to construction companies, and related organizations will utilize measures taken by the government and local governments to actively utilize ICT, organize and consolidate on-site needs, and build a system aimed at labor saving for all related parties.

v) Key KPIs

Reduce annual actual working hours (per employee) to the same level as the average for all industries by FY 2029 (2,018 hours for the construction industry and 1,956 hours for all industries in FY 2023). In addition, support measures and good practices for promoting labor-saving investment will be communicated to construction companies through explanatory meetings.

9) Medical care

i) Goal

Through efforts to improve labor productivity, we will aim to reduce overtime work of doctors, nurses, etc., and to review reasonable assignment standards. In addition, we will aim to achieve a government goal, minimum wage of 1,500 yen by the 2020s, as well as a sustainable wage increase.

ii) Issues and examples of labor saving

The number of elderly people, mainly those aged 85 or older, is expected to rise to a peak around 2040. In addition, with the decline in the working-age population, it is expected to become even more difficult to secure medical professionals. Therefore, it is important to steadily promote labor-saving initiatives such as improving the working environment through work-style reforms, healthcare DX, and task-shift sharing.

iii) Labor-saving promotion measures

- Measures to concretize labor-saving measures include voice input to electronic medical records and automatic reflection of vital sign values, etc., which contribute to the efficiency of nursing work, support for the introduction of intercommunication system, etc., support for the introduction of ICT devices that contribute to the shortening of working hours for doctors, and the use of IT introduction subsidies for small- and medium-sized businesses. In addition, we will promote the development of the information infrastructure for the promotion of healthcare DX, such as the standardization of electronic medical record information, as well as the development of service technologies that meet the needs of medical sites and the development and implementation of medical devices, including those that contribute to reducing the burden of medical care. In addition, the collection of good practices for improving the efficiency of nursing work will be enhanced.

iv) Support system

Regarding the communication of measures to businesses and the support system for

businesses working on labor-saving efforts, advisors who are experts in labor management and medical business management will be assigned to the medical working environment improvement support centers established in each prefecture to provide advice on labor-saving efforts, public support, and the introduction of good practices.

v) Key KPIs

By 2030, it aims to introduce electronic medical records to share necessary patient medical information in almost all medical institutions. By FY 2029, the target number of hours of overtime work for doctors working at medical institutions, which require long working hours, will be 1,410 hours (currently 1,860 hours).

10) Long-term care and welfare

i) Goal

Through efforts to improve labor productivity, in the field of long-term care, we will aim to improve operational efficiency by 8.1% by 2029 and 33.2% by 2040 in long-term care health facilities, facilities covered by public aid providing long-term care to the elderly, and designated facilities for daily life long-term care admitted to a specified facility. In the field of disability welfare, we aim to increase the percentage of business establishments that reduce their workload through ICT utilization to 90% or more by 2029. In addition, we will aim to achieve a government goal, minimum wage of 1,500 yen by the 2020s, as well as a sustainable wage increase.

ii) Issues and examples of labor saving

In the long-term care sector, as demand for services increases and the working-age population is expected to slow rapidly, it is becoming increasingly important to improve productivity by utilizing technologies, etc., to reduce the workload of employees and improve the quality of care. In addition, in the field of disability welfare, where there is a constant shortage of workers, the services provided are diverse, and there are many small establishments, and efforts to improve productivity are lagging behind those in the field of long-term care. In both fields, there are good examples of labor-saving efforts by utilizing long-term care technologies, etc., such as efficient communication using intercommunication system and the use of long-term care technologies such as voice input recording devices, monitoring systems, and transfer assistant devices.

iii) Labor-saving promotion measures

- Promote the use of long-term care technology introduction support programs. In addition, as measures to materialize the lateral development of good practices, we will disseminate the guidelines for improving productivity in the long-term care sector widely through seminars, etc., and will also award long-term care providers whose efforts to improve productivity in the long-term care field are particularly outstanding, and prepare and disseminate case studies to promote the lateral development of good practices. In addition, we will promote the use of AI technology in the field of long-term care.
- Furthermore, the Government will promote the use of subsidies for labor-saving investment by SMEs.

iv) Support system

One-stop consultation desks will be established in each prefecture to inform business operators of measures and support systems for business operators working on labor-saving measures, and advice will be given on the selection of appropriate equipment according to on-site issues. Furthermore, functions will be strengthened through the development of human resources capable of assisting small-scale business operators in their efforts to improve productivity.

v) Key KPIs

By 2029, 90% of enterprises in the long-term care sector will have ICT and long-term care robots installed. Also, overtime hours are reduced or maintained and the turnover rate is lowered. In the field of disability welfare, one-stop consultation desks will be established in all 47 prefectures.

## 11) Childcare

### i) Goal

Ensure that nursery staff have time for engaging with children by introducing ICT at childcare sites. In addition, we will aim to achieve a government goal, minimum wage of 1,500 yen by the 2020s, as well as a sustainable wage increase.

### ii) Issues and examples of labor saving

There is a serious shortage of nursery staff, and with the improvement of placement standards and the institutionalization of the "Connecting All Children to ECEC System," it is necessary to secure nursery staff in the future. Reasons for retiring from nursery staff include a large workload and long working hours, as well as problems such as inefficient office work and paperwork that prevent nursery staff from spending time with children. On the other hand, there are good examples of solving these problems by using ICT for peripheral and auxiliary tasks of childcare, such as 1) planning and recording of childcare, 2) communication with parents, 3) management of attendance to and from childcare facilities, and 4) cashless payment such as collection of actual expenses (so-called "four functions").

### iii) Labor-saving promotion measures

- As a measure to materialize the horizontal development of good practices, a handbook summarizing the purpose, types, effects, steps, and examples of ICT introduction will be widely disseminated to businesses. Additionally, we will promote the use of assistance for the introduction of business systems using ICT, etc. Furthermore the childcare ICT Lab project will be implemented to create model cases that serve as role models for ICT environment development and to promote horizontal dissemination.
- We will also promote the use of IT introduction subsidies.

### iv) Support system

Regarding the communication of measures to businesses and the support system for businesses working on labor-saving efforts, we will further promote the utilization of projects in which childcare business support consultants make rounds to provide advice and guidance on the promotion of ICT adoption, as well as initiatives in which local governments establish councils composed of local governments, ICT-related businesses, childcare businesses, etc., introduce case studies of ICT-introduced childcare facilities in their regions, and hold study and training sessions.

### v) Key KPIs

By FY 2026, we will increase the percentage of facilities that have all 4 functions, including the management function of attendance to and from kindergartens, to 20%. Reduce clerical work time by 10% from the FY 2026 level by FY 2029.

## 12) Agriculture, forestry and fisheries

### i) Goal

In the field of agriculture, we aim to increase production per 1 management unit by 1.8 times compared to 2023 levels by 2030. In forestry, we aim to improve the labor productivity of forestry management entities related to timber production by 50% compared to the 2022 level by 2030. In the fishery industry, we aim to increase fishery production per fishery worker by 30% in 2030 compared to 2020 level by improving operational efficiency and productivity.

### ii) Issues and examples of labor saving



In the agriculture, forestry, and fisheries industries, the number of workers is expected to decrease rapidly and the number of elder workers is expected to increase rapidly. In order to solve the labor shortage and promote the sustainable development of the industry, it is essential to improve productivity. On the other hand, there are good examples of labor-saving efforts through advanced technologies such as robots, AI, IoT, and smart technologies that utilize data.

iii) Labor-saving promotion measures

- As a measure to materialize smart technologies, in agriculture, we will intensively support changes in cultivation methods and the development of smart agricultural technologies through tax and financial incentives based on the Act on the Promotion of Smart Agricultural Technology Utilization. In addition, based on the new Basic Plan for Food, Agriculture and Rural Areas, in order to intensively promote structural transformation in the initial five years, the government will implement rapid technological development in accordance with priority development targets, shift of production methods, expansion of farmland partitions, and improvement of information and communication environment through the Intensive Support Program for Act on the Promotion of Smart Agricultural Technology Utilization.
- In forestry, the government will accelerate support for the development and on-site implementation of smart forestry technologies, and will also establish "Digital Forestry Strategy Hubs" nationwide to enable diverse local stakeholders to fully utilize digital technologies.
- In the fisheries industry, we will support the development of smart runners and the introduction of smart equipment through the Smart Fisheries Dissemination Promotion Project.

iv) Support system

Regarding the communication of measures to businesses and the support system for businesses working on labor-saving efforts, in the case of agriculture, cooperation with private businesses and related organizations will be promoted through the establishment of consultation desks at national extension and guidance centers. In forestry, a coordinator will be dispatched to the "Digital Forestry Strategy Hubs" to build systems that can assist with accompanying operations. In the fisheries industry, a base will be established in each prefecture or fishery-related organization, and a support system will be established to accompany the implementation of smart technology.

v) Key KPIs

By 2030, in agriculture, the share of area covered by smart agricultural technologies will be 50%. In the forestry field, "Digital Forestry Strategy Hubs" will be established in 25 prefectures. In the fisheries industry, digital fisheries strategy bases will be developed in 11 regions by 2027.

#### **(4) Support for the challenges of growth-oriented SMEs and small-scale business operators**

We will support the challenges of growth-oriented SMEs and small-scale business operators by supporting growth investment by SMEs and small-scale business operators, promoting market development and overseas expansion, and strengthening matching.

1) Creation of an ecosystem for the permanent creation of growth-oriented SMEs and small-scale business operators

In order to create a virtuous cycle of the regional economy, it is necessary to visualize the role played by SMEs and increase the growth motivation of SMEs and small-scale business operators, which have a ripple effect on the regional economy. It is important that regional

economies grow by wage increases, capturing foreign demand, and purchasing within the region by establishing a mechanism for the creation of "10 billion companies" one after another. To this end, we will broaden the base of growing enterprises through the establishment of managerial networks and other means. It will also continue to provide strong support (including subsidies to accelerate growth) to growth-oriented SMEs that aim to make bold investments of 10 billion yen in sales. It will also strongly support growth investment by SMEs and small-scale business operators by utilizing the tax system to strengthen management and promoting the supply of risk money.

Through these efforts, a seamless policy framework will be established to support the growth of growth-oriented enterprises from SMEs and small-scale business operators to medium-sized enterprises and beyond.

## 2) Construction of soft infrastructure for growth-oriented SMEs and small-scale business operators

The soft infrastructure for growth-oriented SMEs and small-scale business operators will be built through public-private partnerships to address the challenges facing SMEs today, such as business transformation, development of innovative new products and services, market development, overseas expansion, M&A, and human resource development.

## 3) Dissemination of new growth accelerating matching services

We will promote the growth of SMEs by popularizing a new growth acceleration matching service that enables growth-oriented SMEs and small-scale business operators to obtain opportunities to raise funds from financial and investment institutions with which they have had no contact, obtain growth proposals and advice from support organizations such as associations of commerce and industry and chambers of commerce and industry, as well as experts such as tax accountants, SME diagnosticians, and lawyers, by inputting basic information about their companies and challenges they are trying to tackle, and vitalize private sector support services.

# **(5) Securing Human Resources at Local SMEs and Small-scale business operators**

In order to promote labor-saving investment, DX, development of new products and services, and development of new businesses by local SMEs and small-scale business operators, it is necessary to secure management personnel with specialized knowledge and management experience to assist managers. On the other hand, because there are certain hurdles for managers in urban areas to move to SMEs and small-scale business operators in rural areas on a full-time basis, efforts will be made to secure and develop local managers, including further promotion of by-jobs/side-jobs for such managers, such as the promotion of<sup>10</sup> initiatives such as "Vice President Once a Week" (In this initiative, managerial personnel in urban areas are involved in the management of local SMEs, etc. about once a week in the form of a by-job or a side-job.). In addition, efforts will be made to secure human resources at companies in areas with labor shortages in rural areas, and the matching of by-jobs/side-jobs will be promoted.

## 1) Strengthening the matching function of regional management personnel

Matching Promotion Program for Regional Enterprise Management Personnel (a matching program conducted by the Financial Services Agency and the Ministry of Economy, Trade and Industry through regional financial institutions using the database of the Regional Economy Vitalization Corporation of Japan (REVIC). It is commonly called "REVICareer." With regard to the three existing human resources matching support businesses, including the Professional Human Resources Business (matching support project by the Office for Promotion of Regional Revitalization of the Cabinet Office through human resource bases in each prefecture using databases from the private sector and others) and

the Leading Human Resources Matching Business (matching support program by the Office for Promotion of Regional Revitalization of the Cabinet Office through regional financial institutions using private-sector databases), we will review and expand the content of support from the perspectives of regional enterprises, intermediaries, etc., and management human resources providers, while placing emphasis on by-jobs/side-jobs. We will also review inter-business cooperation, including the two-way use of REVICareer and private-sector databases, in the above three businesses, and strengthen matching functions through cooperation between regional financial institutions and private human resources providers.

Young people without management experience will be hired by regional SMEs for a limited period of time to gain management experience directly under their managers. This will lead to the development of entrepreneurs and business successors, and efforts will be promoted to encourage the growth of young people at regional SMEs through new perspectives and skills.

At the same time, efforts by local governments to match human resources with local enterprises will be promoted.

2) Promotion of by-jobs/side-jobs for employees of local governments, agricultural cooperatives, and regional financial institutions

About by-jobs/side-jobs for local public servants, with a view to permitting a wide range of local public servants to engage in activities that can help solve local problems, we will accelerate consideration of flexible licensing standards. In addition, we will encourage agricultural cooperative employees to engage in agricultural work and develop sales channels, as well as encourage employees of regional financial institutions to engage in by-jobs/side-jobs.

3) Sharing personnel and hiring functions and specialized human resources within regions

Even among regional medium-sized enterprises, only 40% have human resources exclusively in charge of human resources. Thus, many regional SMEs and small-scale business operators do not have sufficient functions to consider personnel strategies and staffing, which are essential to improving earning power, and to secure the necessary human resources from outside. We promote the horizontal development of advanced cases such as sharing the knowledge of human resources functions and specialized human resources in the region, with private businesses acting as hubs in the region and cooperating with associations and chambers of commerce and industry, regional financial institutions, local governments, and other organizations, through the use of by-jobs/side-jobs by human resources.

4) Strengthen support for securing human resources in areas with labor shortages and promote matching of by-jobs/side-jobs

In order to secure human resources in the fields of logistics, medical care, long-term care, and child-rearing that support the daily life infrastructure in rural areas, the government will increase the number of specialized desks set up at 118 Hello Works. In addition, the government will make more effective efforts to provide advice and guidance on job offer conditions and job postings to companies by holding job interviews and other events through industry cooperation, providing individual counseling to job seekers based on the person in charge system, and providing counseling at desks and outreach to business offices.

At Hello Work, the points of attention regarding preventive measures to prevent long working hours will be fully disseminated, and the matching of by-jobs/side-jobs will be promoted, and cooperation with other supporting organizations will be promoted.

5) Strengthening the management support system at Society of Commerce and Industry and Chambers of Commerce and Industry

Based on the Basic Plan for Small Enterprise Promotion, we will enhance the support system for small businesses by securing personnel and business expenses for management advisors at Society of Commerce and Industry and Chambers of Commerce and Industry, improving the quality of support through the use of digital tools, improving operational efficiency, and building a wide-area support system.

### **3. Strengthening the management foundations of SMEs and small-scale business operators through business succession and M&A**

Of the 3.36 million SMEs and small-scale business operators, about 1 million have managers aged 70 or older.<sup>11</sup> Against the background of the aging of business owners, the number of business closures is increasing, and more than half of them are profitable enterprises.<sup>12</sup> In light of the trend that companies with younger business owners are more active in new initiatives such as new product development, we will formulate and work on the "A New Package of Measures related to Business Succession and M&A," which consists of the following measures to remove various barriers to business succession and M&A by SMEs and small-scale business operators, from the perspective of creating a business environment as a whole in which business owners of SMEs and small-scale business operators can systematically make future business decisions, including options for business succession and M&A, based on their own intentions and the state of their business foundations.

Specifically, measures will be taken to strengthen support measures for M&A managers on the seller side, such as schemes to eliminate anxiety after M&A, to strengthen M&A support functions of the public and private sectors trusted by managers, such as the establishment of a new qualification system for experts, in addition to the effective operation of the registration system for M&A intermediaries, and to support matching with M&A buyers with excellent management abilities.

In this context, we will encourage regional financial institutions that are in a position to identify management issues through ongoing relationships with local business owners to actively support planned business succession and M&A by SMEs and small-scale business operators.

With regard to the business succession tax system (special measure) that suspends 100% of inheritance tax and gift tax, in light of the fact that the outline of the Ruling Parties' Tax Reform for FY 2025 stipulates that "In light of concerns about the stagnation of generational change and the impact of business succession on the growth of regional economies, we will continue to consider how business succession should be conducted," we will consider the ideal policy for business succession.

In addition, in view of the importance of maintaining the employment of workers and the working environment, we will take thorough measures in accordance with laws and regulations concerning the protection of workers at the time of business succession and M&A.

#### **(1) Strengthening support measures for managers on the seller side of M&A**

Managers of small and medium-sized enterprises (SMEs) on the seller side are often hesitant to consider M&A in the first place because of concerns about maintaining employees' employment, their own financial and livelihood concerns, and a lack of knowledge of the evaluation of their own businesses and reliable support agencies. We will get close to these concerns and strengthen support measures so that SME and small business owners can consider M&A as an option for their management.

##### **1) Widespread use of schemes to resolve post-M&A concerns**

In order to address concerns about inappropriate buyers who do not comply with important

conditions for a seller company, such as maintaining employment and releasing management guarantees, we will consider and promote schemes that enable buybacks or cancellations when agreements are violated after an M&A.

2) Expanding support for managers to take on new challenges

In order to respond to the needs of SMEs and small-scale business operators who cannot decide to close their businesses because they cannot afford to do so, we will strengthen support for business closure and re-challenge through the use of business succession and M&A subsidies.

3) Cultivating transaction rates in the M&A market for SMEs and small-scale business operators

In light of the fact that the transaction records of SMEs and small-scale business operators in M&A are not visible and it is difficult to grasp the market price of their own companies, we will compile M&A transaction data through the M&A Support Organization Registration System and disclose the data in a way that does not allow individual parties to be identified, thereby fostering a market view of transfer prices.

4) Implementation of business succession and M&A Caravan (tentative name) nationwide

In order to provide opportunities for managers who have vague concerns about future management but are not sure how to tackle business succession and M&A as their own specific management issues, we will consider incentives for support organizations such as chambers of commerce and industry and specialists such as tax accountants, SME diagnosticians and lawyers to introduce managers to the Business Succession and Support Center.

In addition, symposiums and other events will be held nationwide for SMEs and small-scale business operators with the intention of business succession and M&A, in order to share successful examples.

5) Facilitation of understanding of substantial financial status

In order to respond to those who do not know whether their businesses have value, tax accountants, accountants, etc., will intensively implement separation of personal assets and business assets and quantification of the earning power of the businesses themselves for SMEs and small-scale business operators that wish to do so, in order to visualize the business value and, if necessary, promote liaison with appropriate support organizations (Business Succession and Support Center, SME Vitalization Council, Yorozu Support Center, etc.).

6) Dissemination and publicity of the Business Succession and Support Center

The SME Agency's Business Succession and Support Centers, which have been established in 47 prefectures across the country as public consultation desks, will be intensively publicized in local areas in order to further raise awareness among SME and small business owners.

**(2) Strengthening the M&A Support Functions of the Public and Private Sectors Trusted by Managers**

In addition to addressing the issue that managers cannot trust the expertise and ethics of private M&A advisors who are not involved in day-to-day management, the Government will strengthen the SME Agency's Business Succession and Support Center, which serves as a comprehensive public contact point.

1) Improving the quality and ethics of individual M&A advisors

While specialized support in finance, taxation, legal affairs, etc., is comprehensively required for the implementation of M&As, the expertise of M&A advisors varies greatly, and in order to instill discipline throughout the industry, it is necessary to instill discipline at the individual level of M&A advisors in addition to discipline at the organizational level. Therefore, we will consider a new qualification system and develop human resources to support M&As.

2) Strengthening the business succession and support center

The support system of the Business Succession and Support Center will be strengthened by utilizing the human resources of financial institutions and local tax accountants, accountants, etc., from the viewpoint of responding to the expected future needs for business succession and the development of human resources to support the future. In addition, the Center will promote the matching of M&As across prefectural areas.

**(3) Support such as matching with M&A buyers with superior management capabilities**

In general, companies with younger managers tend to be more active in new initiatives, and those that have carried out business succession tend to accelerate their growth after succession. From the perspective of accelerating business growth after M&A, we will promote the matching of M&A buyers with superior management capabilities, continuous M&A by growth-oriented medium-sized companies and SMEs, and planned business integration, Post Merger Integration (PMI).

1) Matching support for managers with management capabilities

In order to promote matching between individuals who want to take over promising businesses and SMEs that want to recruit excellent managers, we will support the provision of funds to search for funds that provide acquisition funds when an individual who is to become a successor conducts M&A, and to business succession funds that handle small projects with low profitability and difficulty in attracting investment funds.

2) Systematic promotion of PMI

Since smooth M&A requires systematic implementation of pre- and post-M&A business integration (PMI), we will disseminate the importance of PMI to SMEs and small-scale business operators through business succession and support centers and regional financial institutions and encourage effective PMI by utilizing budgetary measures such as business succession and M&A subsidies.

**(4) Promotion of business continuity consulting by regional financial institutions**

Regional financial institutions, such as regional banks, shinkin banks, and credit unions, must play a significant role in providing SMEs and small-scale business operators with immediate and reliable management advice. Last year, the Financial Services Agency stipulated M&A support, including PMI, in its supervisory guidelines as an example of solutions proposed by financial institutions to client companies. From the perspective of supporting the business sustainability of SMEs and small-scale business operators that support regional economies, we will again encourage financial institutions to check whether they are considering business continuity plans, including business succession and M&A, in their ongoing relationships with client companies, while taking into account the situation of management.

**(5) Consideration of tax system for business succession**

With regard to the business succession tax system (special measures (The deadline for the submission of the special succession plan necessary for the application of the measures will come in March 2026, and the deadline for the applicable inheritance and gift will come in December 2027.)), which provides a 100% grace period for inheritance and gift taxes, in light of the fact that the outline of the Ruling Parties' Tax Reform for FY 2025 states that "In light of concerns about the stagnation of generational change and the impact of business succession on the growth of regional economies, we will continue to consider how business succession should be conducted," we will consider the ideal policy for business succession.

By offering the "Atotsugi Koshien" program and a program for fostering successors, we will foster the management abilities of successors who succeed businesses.

#### **(6) Promotion of loans that do not rely on management guarantees and promotion of termination upon business succession**

For new obligations, the Guidelines on Business Guarantees stipulates that financial institutions shall consider the possibility of not requiring a business guarantee if the following three conditions are met: 1) dissolution of the unity between the corporation and the management, 2) financial conditions enabling the repayment of loans with the assets and earning power of the corporation alone, and 3) appropriate disclosure of information to financial institutions. The Financial Services Agency's guidelines for supervision also stipulates that financial institutions should respond in accordance with the Guidelines and develop a system to achieve this. As a result of these efforts, the proportion of loans with business owners' guarantees has gradually decreased. However, in light of the situation in which 50% of new loans provided by private financial institutions have business owners' guarantees<sup>13</sup>, we will promote business management that meets the above three requirements for SMEs and small business owners in cooperation with the SME Agency, the Financial Services Agency, and Ministry of Finance, and will establish lending practices that do not rely on business owners' guarantees.

It has been pointed out that many of the existing debts still have management guarantees, which may hinder M&A and business succession. In order to respond to this situation, the Financial Services Agency revised its Supervision Guidelines last year to consider the possibility of cancellation of management guarantee in the case of business succession and M&A based on the Guidelines on Management Guarantee. The SME Agency and the Financial Services Agency will work together to ensure that all financial institutions comply with the revised Supervision Guidelines.

#### **4. Development and compensation improvement of human resources who play an active role in local communities**

It is important for individual workers in each region to be able to play an active role based on their own will. Therefore, in order to realize a society in which every worker can choose his or her own working style throughout his or her lifetime while obtaining sufficient information on the outlook for the future industry and labor market and working style options in light of the rise of digital technologies such as generative AI, and in which efforts made to improve abilities and work through reskilling, etc., are surely rewarded in the form of higher wages, we will promote the provision of high-quality employment and the development of an environment that promotes the active participation of diverse human resources active in local communities. In addition, we will continue to hold the local government, labor and management meetings so that the trend of wage increases will spread to each region.

##### **(1) Development of Advanced Essential Workers**

The labor shortage of essential workers, who support various functions of society in the field, has become even more serious, and the sustainability of services itself has become an issue.

In understaffed settings (automobile driving (logistics and human resources), construction and civil engineering, manufacturing and processing of products and machinery (including repair and inspection.), long-term care, tourism, restaurants, etc.), it is important that the skills of field personnel are duly assessed, including through the use of digital technologies, and that their actual treatment is improved. For this reason, in order to promote the dissemination and utilization of the collective certification system, in which the Minister of Health, Labour and Welfare certifies private-sector certifications that are relevant to the external labor market, in order to stratify and standardize skills in industries and occupations that cannot be covered by existing official certifications, the government will strengthen efforts by the ministries and agencies with jurisdiction over industries, through industry associations, etc., to actively utilize the system, which will lead to the development of front-line human resources in such industries. At the same time, with reference to the Construction Career Up System, etc., efforts will be promoted to promote the introduction of a system that objectively evaluates technology, skills, and experience and leads to compensation in cooperation with industry groups, etc., in order to improve compensation according to ability and experience.

The "Industrial Human Resource Development Plan" described in VI.3 will be formulated, and efforts will be made to develop Advanced Essential Workers (essential workers who earn higher wages than currently available through the use of digital technology, etc.) at universities, junior colleges, colleges of technology (KOSEN), and Professional Training Colleges, including current employees.

## **(2) Reskilling of a wide range of workers in response to advances in AI and other technologies**

As generative AI automates and substitutes human tasks, there is a possibility that labor demand for some office workers will decrease in the future. In light of these changes in the environment and technological trends, we will work to provide effective reskilling support to a wide range of workers, including those working in non-regular employment.

In cases where human resources with certain qualifications and work experience, including in the fields of childcare and long-term care, learn the skills necessary for digitalization of workplaces, support measures will be strengthened by making use of the results of current support projects for reskilling, for which the training period is relatively short, in light of the fact that the training is an addition to existing qualifications and work experience.

From FY 2022 to the end of FY 2026, we will steadily promote support for efforts aimed at fostering 2.3 million digital human resources (as set out in the Comprehensive Strategy of the Digital Garden City National Plan), taking into account technological trends. To this end, in addition to confirming the progress of efforts to develop digital human resources, including AI and data experts from relevant ministries and agencies, and promoting them laterally, new human resource development measures will be taken as necessary to ensure a system for functioning digital human resource development across the government and effectively accelerate such efforts. In addition, the Government will promote the development of a digital infrastructure that enables individuals to accumulate, visualize, and certify information on their digital skills so that they can continue to learn and develop careers with a purpose. We will also develop an environment that enables the entire market, including companies and training providers, to use trends in each skill.

In order to enable non-regular employees, etc., who have few opportunities for vocational training, etc., to take on the challenge of a better job by learning while working without leaving their jobs, taking into account the uneven distribution of online training in each region, and



paying attention to the appropriate division of roles between the national and local governments, in addition to training commissioned by prefectures, online training will be expanded nationwide through the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

We will promote the development of an environment in which workers, while receiving continuous support from career consultants, etc., can independently think about their careers, improve their skills, and take on more advanced duties by utilizing information on the labor market.

In addition, taking the opportunity of Japan hosting the WorldSkills Competition 2028, we will work with relevant ministries and agencies, industry associations, and certified technicians to build momentum for respect for skills for young people from the junior high and high school levels, and will strengthen support measures to improve the skills of skilled workers.

### **(3) Visualization and effective provision of information on internal and external skills and wage levels**

We will accelerate efforts to share information on job openings, job applications, and career advancement between the public and private sectors, and to disseminate information to career consultants and job seekers in an easy-to-understand manner, so that individual workers can understand the supply and demand trends of jobs both inside and outside the company and the skills and wage levels they need to acquire by reskilling. First, with regard to the project started last fiscal year to collect and analyze job postings at the Ministry of Health, Labour and Welfare, the target areas and types of jobs will be expanded, as well as the relationship between wages and the presence of experience and qualifications will be analyzed, and the results of these analyses will be disseminated through government platforms, such as the occupational information website (“job tag”).

The Ministry of Health, Labour and Welfare will enhance the contents and usability of the workplace information website (“Shokubarabo”) and occupational information website (“job tag”), and create a one-stop platform for individual workers to access information posted on these sites.

Through these platforms, we will also work to improve the labor market so that hiring experienced workers becomes a common option for companies of all sizes.

### **(4) Raising official prices at medical, long-term care, childcare and welfare sites**

In the fields of healthcare and welfare, such as medical, long-term care, and disability welfare, 9 million people, or about 1 in 7 of the employed workers, are working, and it is a major industry that supports local communities.

On the other hand, public prices for the treatment of workers in these fields are set, and it is not possible to pass on the increase in costs to prices as it is in other industries amid the recent rise in prices and wages. As competition to secure human resources from other industries, which are ahead of other industries in terms of wage increases, has become severe, the ratio of job offers to applicants has become higher than in other industries. As the number of elderly people increases and the working-age population decreases, it is an urgent issue to secure people who will be able to provide necessary services in the future with peace of mind.

To ensure wage increases, business stability, retention of workers, and effective recruitment in sectors with government-regulated fees such as medical, long-term care, and disability welfare, it is essential to make a clear shift away from cost-cutting-oriented policies. To this end, while continuing efforts to restrain premium burdens through the expenditure reforms implemented so far, we will take appropriate and necessary actions, such as the next revision of service fees, to ensure that the robust wage increases achieved in the 2025 spring labor-

management negotiations and the effects of recent price hikes firmly lead to stable management and wage increases for a wide range of professionals working in the field.

Improving the remuneration of nursery staff and kindergarten teachers who play a vital role in safeguarding the lives and fostering the development of children who will shape the future is of utmost importance. Nevertheless, the remuneration of nursery staff and kindergarten teachers remains lower than the average across all industries. Since FY 2013, cumulative improvements of approximately 34% has been achieved in the remuneration of nursery staff and kindergarten teachers reflecting the commitment to enhancing their working conditions. Building on this progress, further improvements will continue to be pursued under "Children's Future Strategy" to ensure remuneration comparable to that of other professions.

Regarding the regional classification of long-term care, disability welfare, and childcare based on the 2024 the National Personnel Authority Recommendation, considering the impact on securing human resources due to the disparity in class area between neighboring municipalities, etc., we will promptly examine the issue and make necessary revisions before the next revision of service fees.

## **5. Minimum wage increase**

With regard to the minimum wage, the public and private sector will intensively implement maximum measures over the next 5 years by supporting wage increases of affected SMEs and small businesses through proper price pass-through and backing for productivity improvement, and will continue to make untiring efforts to achieve the high target of the national average of 1,500 yen in the 2020s.

The government will implement a policy package set forth in the "Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business": 1) thorough implementation of price pass-through and proper transactions, including measures for public sector demand that is important for local SMEs and small business; 2) improvement of productivity of SMEs and small business through the enhancement of the Labor-saving Investment Promotion Plan by sector and the relevant detailed support measures as well as the development of support systems; 3) improvement of an environment in which business owners and executives of SMEs and small business can make management decisions for the future in a systematic manner by removing their concerns and barriers related to business succession and M&As; and 4) development of human resources who play an active role in local communities and improvement of their treatment.

In addition, in the EU Directive, 60% of the median wage and 50% of the average wage are given to member countries as reference indicators for setting minimum wages<sup>14</sup>. With regard to raising the minimum wage, the Central Minimum Wage Council is requested to discuss the minimum wage based on the data of the three statutory elements, and in light of the fact that the minimum wage in Japan is at a lower level than in Europe as well as the above-mentioned policy package, while also paying attention to some differences in systems and employment practices between Japan and Europe.

The "Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small Business" stipulates improvements in their productivity and the price pass-through in public sector demand, etc. Based on the plan, the national government will use various policy measures to help prefectural and municipal governments work on developing an environment for wage increases in a fine-tuned manner according to their local conditions. In cases where Local Minimum Wage Councils in the respective prefectures raise the minimum wage in excess of the guidelines set by the Central Minimum Wage Council, the government will provide focused support through government subsidies and fully support various efforts of such prefectures using subsidies as special measures to expand sales and improve productivity

in a sustainable manner, and thereby boldly support SMEs and Small Business that take initiatives to improve productivity and respond to minimum wage increases.

Local Minimum Wage Councils are requested to take into account these government-wide efforts and the wage increase environment in the respective prefectures in order to make deliberative decisions in light of the actual situation, as well as based on the data of the three statutory elements.

The government will correct regional disparities by, for example, increasing the ratio of the minimum amount for the maximum amount of the minimum wage by region.

### **III. Realization of an Investment-Oriented Country**

New targets for domestic investment at 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040 will be surely achieved by both the public and private sectors.

To this end, in order to strengthen the cycle of wage increases and investment that has begun to circulate in the domestic economy, it is important to strengthen earning power in the global market by linking this cycle with overseas markets.

According to an estimate by the Ministry of Economy, Trade and Industry, if the public and private sectors continue their recent efforts to expand domestic investment and achieve the new public-private targets for domestic investment at 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040, it will be possible to achieve medium- to long-term economic growth, with nominal GDP reaching 1,000 trillion yen in FY 2040, as growth is driven by expanding domestic demand despite a declining population, and exports of goods and services essential to the world expand even amid heightened uncertainty in the international environment.

In order to achieve this future outlook, the manufacturing industry will create new demand and achieve high added value through differentiation through GX and innovative technologies and service development through DX in order to increase next-generation investment (R&D, software, robots, communications equipment, etc.) such as GX and DX (AI / data) by 1.8 times. In the ICT and professional services industries, new added value will be created through the development of new demand. In addition, the essential services industry will be transformed into the advanced essential services industry that utilizes labor-saving facilities and services.

To this end, we will consider bold measures to attract domestic investment from firms, including budgetary and tax incentive measures, while taking into account measures and trends in other countries, such as corporate governance reforms, capital market reforms, and drastic measures to promote investment through bold depreciation, so that firms will actively allocate their cash and deposits to domestic investment with large ripple effects, even in the midst of a shift to a "world with interest rates" and heightened international uncertainty.

At the same time, based on the demand for human resources in response to such changes in the industrial structure, the government will comprehensively promote initiatives to improve productivity and save labor in each industry, as well as initiatives to develop human resources.

Including these, the following measures will be promoted as an "Export Expansion and Diversification Support Package" to stimulate domestic investment and capture demand in the Global South with a view to achieving the 200 trillion yen target.

#### **1. Create and accelerate growth of medium-sized enterprises**

With 9,000 mid-sized enterprises in Japan, they have the potential to serve as a driving force for domestic economic growth and regional revitalization in all aspects of capital investment, human capital investment, and wage increases<sup>15</sup>. In addition to supporting capital investment leading to wage increases, measures will be implemented to boldly support the exports and

R&D of medium-sized enterprises with one-of-a-kind products and services in the global market, and a seamless and effective support system will be implemented to enable SMEs to grow into medium-sized enterprises and medium-sized enterprises to grow into large enterprises, based on the "Vision for the Growth of Midsize Enterprises."

1) Promoting capital investment for the growth of medium-sized enterprises

If a midsize company wants to keep its factories in Japan and export them overseas to earn money, it will incur a high cost. With this in mind, we will continue to mobilize all its policies to provide steady support for projects that subsidize the establishment of new factories and other bases and large-scale capital investment by medium-sized enterprises, in order to create a virtuous cycle of investment and wage increases in every part of the country.

Based on the "Vision for the Growth of Midsize Enterprises" formulated in February this year, we will implement support measures for midsize enterprises including these points.

2) Promotion of R&D and exports by medium-sized enterprises

Medium-sized companies with a higher ratio of overseas sales have higher labor productivity. On the other hand, while in Germany there are many global niche top companies that sell their final products directly to stores or individuals, 80% of Japanese global niche top companies are contract manufacturers, and there is a difference in the speed of overseas expansion. Research and development by companies is also active in Germany by medium-sized companies and SMEs, while in Japan large companies with 10,000 or more employees dominate<sup>16</sup>.

We will support Japanese medium-sized enterprises to develop sales channels on their own, including in overseas markets, by encouraging them to secure the human resources necessary to conduct direct business overseas. We will also focus on the role that medium-sized enterprises play in our country's exports, and will work to promote exports by these enterprises while strengthening the export support system between the public and private sectors<sup>17</sup>.

At the same time, mechanisms will be considered to boldly encourage research and development by medium-sized companies and SMEs, including collaboration with universities.

3) Accelerating growth from SMEs to mid-sized companies

As part of efforts to create and support the growth of SMEs with annual sales of 10 billion yen, in light of the current shortage of SMEs' human resources in charge of exports, we will actively encourage SMEs in each region to utilize their regional strengths to cooperate as consortiums and export, with a view to diversifying their export players and broadening their base.

In addition, the government will support the improvement of English proficiency of SMEs, and encourage medium-sized companies and SMEs with growth aspirations to make multiple SMEs subsidiaries to grow as a group.

On the other hand, as there are many family-owned companies, we will first encourage managers to change their mindset, and will continue to consider how to establish a governance system and how to support funds, human resources, and research and development.

## **2. Supporting R&D and exports in new winning fields**

We will develop products and services that solve social issues in the fields of healthcare and disaster management, and expand exports in order to capture the growing overseas demand of the countries of the Global South by turning the crisis in our country, which is facing a super-aging society and disasters<sup>18</sup> ahead of the rest of the world,<sup>19</sup> into an opportunity.

In addition, in sectors with high potential and high growth potential, the government will

promote growth of the tourism industry by strengthening "earning power from overseas" through exports of agricultural, forestry and fishery products and foods, supporting the development of creators in the entertainment and content industries, supporting the optimization of transactions and overseas expansion, and expanding inbound tourism in local regions.

### **(1) Healthcare**

Healthcare is a rapidly growing global market. In Japan, the so-called healthcare industry (prevention, health promotion, testing, food, data infrastructure, etc.), which is not covered by universal public health insurance, currently accounts for about 30 trillion yen, and the industry which is covered by public insurance accounts for about 45 trillion yen, the total is about 75 trillion yen. It is necessary to develop frontiers and create an ecosystem that can achieve continuous growth through environmental establishment by the promotion of innovation, deregulation, and investment.

On the other hand, healthcare has the following characteristics and its sound promotion to grow is expected: 1) it is difficult for the people to understand the quality, and it is necessary to visualize and secure the quality to prevent consumer troubles, and 2) when innovation is covered by universal public health insurance, it is necessary to consider the burden of insurance premiums on the people.

Based on the above, while ensuring the sustainability of universal public health insurance (approximately 45 trillion yen), we will implement reforms necessary for healthcare transformation (HX) with the aim of "creating a 100 trillion yen healthcare market" by growing the healthcare industry from the current approximately 30 trillion yen to approximately 80 trillion yen by 2050.

In addition to the efforts described below, we will also work on the "Fostering Healthcare Startups" described in IV.3. (4) and the "Health and Medical Care" described in V.5. (6).

#### **1) Increased investment in healthcare**

In order to strengthen support at the R&D stage for practical application, at the social implementation stage after launch, and at the mass production stage, we will foster the domestic venture capital market and promote networks between overseas venture capital and startups. Invite foreign venture capital firms to pitch events in English by Japanese academia and startups, develop products to solve the declining labor force, and introduce them to medical institutions. We will work to ensure that such support leads to private investment such as M&A by major companies.

#### **2) Utilization of technology (prevention, health promotion, etc.)**

##### **i) Promoting social implementation of digital health services**

The monetization environment will be improved through cooperation with incentive systems and further promotion of KENKO Investment for Health for the social implementation of digital health services such as private PHR (Personal Health Record) in order to promote the proactive prevention, severe disease prevention, health promotion and data health of the people. And the research for the purpose of accumulating healthcare outcome, etc., is advanced with academia. In addition to promoting the construction and organization of evidence based on the characteristics of prevention and health promotion, we will promote research and development at AMED and accompanied support concerning the development and practical application of health care services based on evidence through the primary health care platform.

##### **ii) Renovation of hospital information systems**

In order to facilitate the use of the latest technologies developed by healthcare startups, we will promote the transition of hospital information systems, such as electronic medical records, from conventional on-premise systems to so-called cloud-native systems.

iii) DX in healthcare and long-term care

The government will certainly and steadily promote healthcare and long-term care DX. In order to promote the utilization of real world data, use cases will be verified using public healthcare and long-term care databases owned by the Minister of Health, Labour and Welfare and databases owned by certified producers based on the Next Generation Medical Infrastructure Act. We will develop an environment where health and medical information and PHRs such as life-log data can be linked organically, strengthen the data-driven all-Japan biobank function that contributes to disease elucidation and drug discovery, promote telemedicine including appropriate online medical care, and promote DX in healthcare using wearable devices and Software as a Medical Device. In addition, in order to provide efficient and high-quality medical care and long-term care, research and development and social implementation of long-term care technologies using AI and ICT and medical devices using digital technologies will be promoted.

3) International expansion (market analysis and strengthening of support system)

In addition to promoting the development of health, medical and long-term care related industries of our country in the Global South and other regions, we will refine measures based on research and analysis of trends of overseas companies and markets in each country.

With a view to promoting the global expansion and international contribution of healthcare industry, including medical tourism to Japan, we will take the following measures; strengthen the acceptance system of medical institutions in cooperation with the relevant ministries and agencies, work on fostering foreign medical personnel by measures such as accepting foreign students in cooperation with the Economic Research Institute for ASEAN and East Asia (ERIA), support the promotion of medical institutions, and develop a platform to promote Japanese medical brands. Efforts will be made to promote impact investment in global health including the development of impact measurement and management methods, to promote the MExx concept initiated by Medical Excellence Japan (MEJ) and support medical tourism to Japan, to establish the UHC Knowledge Hub, and to promote international procurement and international expansion in the health, medical and long-term care related industries, and to achieve universal health coverage (UHC). We will also promote the work of the Alliance for Transformative Action on Climate and Health (ATACH), which aims to build climate-resilient, low-carbon and sustainable health systems. At the national level, Japan will also implement initiatives related to climate-resilient health and medical systems, low-carbon and sustainable health and medical systems, and net zero commitments (to achieve net zero greenhouse gas emissions) in the health and medical sector.

**(2) Disaster Management**

In order for rescue robots and others to work effectively in various environments during disasters, we will advance the development of them by integrating robotics and AI. Because of the lack of data required for this purpose, various researchers and businesses from industry and academia will participate in the project to collect data in a test environment, use the data to accelerate the development and utilization of AI, and build a mechanism for further data collection. It will also promote the development of sensors and hardware needed for data collection and work at disaster sites. At the same time, in order to ensure smooth implementation and procurement, we will grasp the needs from the development stage with

the participation of potential customers, and develop the systems and application environments of the introduction side from normal times. We will also proceed with the study of specific specifications that meet actual demand.

### **(3) Agriculture, Forestry, Fisheries and Food Industries**

In addition to working toward the realization of the three virtuous cycle of exports of agricultural, forestry, and fishery products and foods, overseas expansion, and inbound tourism, the government will promote the structural transformation of agriculture intensively and systematically over the first five years based on the revised Basic Act on Food, Agriculture, and Rural Areas.

#### **1) Strengthening "earning power from overseas" through exports of agricultural, forestry and fishery products and foods**

We will work to realize the three virtuous cycles of exports of agricultural, forestry and fishery products and foods, overseas expansion, and inbound tourism.

Exports of agricultural, forestry and fishery products and food topped 1.5 trillion yen last year for the first time. Toward the target of 5 trillion yen in 2030, based on country-specific and region-specific targets for each product, the number of export production areas, and issues and the direction of action, from the viewpoint of market-in-market making, we will work together to "expand overseas demand" through the development of new markets and "improve supply capacity" through the development of export production areas. In order to improve supply capacity, we will provide integrated support for demonstration to eliminate bottlenecks at each stage of production, processing, distribution, and local sales, and will strongly promote the construction and horizontal development of new supply chain models. In addition, we will promote the large-scale zoning of farmland to improve productivity through thorough cost reduction, and will aim for production areas that engage in large-scale export to export more than half of their agricultural and livestock product export targets. In developing sales channels, our country will promote brand protection and promotion of appeal using geographical indications (GI), create a new Japanese food channel that distributes programs about food and travel around Japan overseas, and establish and disseminate an award system aimed at promoting overseas dissemination of Japanese food and food culture through a combination of anime and food. Thus, we will effectively promote Japanese cuisine and food culture by strengthening collaboration with content, which is one of our nation's strengths. At the same time, in order to ensure food security, we will consider a legal system to strengthen the breeding and dissemination of excellent and highly competitive new varieties utilizing advanced technology in cooperation with industry, government and academia, as well as to thoroughly strengthen the protection of plant varieties such as extending the duration of breeder's rights.

In addition, high-quality Japanese ingredients have more than tripled in the past 10 years, supporting more than 180,000 Japanese restaurants<sup>20</sup> around the world. The overseas expansion of the food industry will not only lead to the export of Japanese foodstuffs but also to the spread of Japanese food and food culture in the region. In addition to exports, the food industry will be further developed overseas through the development of an export support platform and the use of overseas diplomatic missions, including the deployment of overseas experts in legal affairs and tax affairs, the networking of Japanese food companies, the strengthening of accompanied support for domestic and foreign businesses in supporting the stable procurement of Japanese raw materials by food companies, and the promotion of the development of local cold chain logistics network.

In addition, there are many cases in which international tourists who visit Japan mainly for

food bring back Japanese food as souvenirs, and this inbound tourism will accelerate the development of fans of Japanese food. For this purpose, we will create a story based on the attractive ingredients, history and culture of the region and effectively approach international visitors to Japan at each stage of before travel, during travel, and after travel. We will promote regional development utilizing regional resources through cooperation with initiatives such as countryside stays, maritime industry, and gastronomy tourism (tourism for the purpose of experiencing food culture and enjoying food nurtured by ingredients, customs, traditions, and history created by the climate and natural features of the region).

In order to create a synergistic effect among exports of agriculture, forestry and fishery products and foods, overseas expansion and inbound tourism, related ministries and organizations such as National Tax Agency, the Ministry of Economy, Trade and Industry, the Japan Tourism Agency, the Ministry of Foreign Affairs, Japan External Trade Organization (JETRO), Japan Food Product Overseas Promotion Center (JFOODO) and the Japan National Tourism Organization (JNTO) will cooperate mainly under the Ministry of Agriculture, Forestry and Fisheries.

As for the domestic cold chain, in order to cope with the problem of not being able to collect lots from the private sector, the private sector will cooperate and work on improvement measures such as mixed loading. At the same time, while fostering startups and implementing new technologies, we will expand and diversify the export destinations of perishable products and build a robust commercial distribution and export structure. In addition, although it takes 10 days to two weeks to reach Taiwan by sea, it sometimes takes up to two months to clear the customs, so extending the expiration date is an issue. For this reason, the ministry will consider ways to extend the shelf life by improving packaging and packaging materials, harvesting early and using new preservation methods.

Strengthening these measures will strengthen domestic supply capacity, ensure food security, and lead to higher incomes in rural areas.

## 2) Regional growth through agriculture, forestry, fisheries and food industries

Agriculture, forestry, fisheries and food industries are the foundation of regional growth and are extremely important not only for enhancing food security but also for generating income and employment in rural areas.

For this reason, during the initial 5 year period (FY 2025 to FY 2029) of intensive measures for agricultural structural transformation based on the revised Basic Act on Food, Agriculture, and Rural Areas, based on the new Basic Plan on Food, Agriculture, and Rural Areas, after developing and securing the business farmers, for thorough reduction of production cost, necessary and sufficient budget will be secured separately through responsive and flexible measures to enable intensive and systematic promotion of the expansion of farmland partitions, reorganization and consolidation of facilities for shared use, development of smart technologies, conversion and implementation of production methods, and development of export production areas, and enhancement and review of measures will be carried out. At the same time, systems necessary for promoting measures including those in local areas will be secured, and income will be raised through improved profitability.

In addition, we will promote the improvement of food self-sufficiency through the accumulation and consolidation of farmland and the development of infrastructure including an information and communication environment, review of paddy field policies to improve productivity, measures for hilly and mountainous areas such as the development of smart technologies suited to the actual situation, promotion of shokuiku (food and nutrition education) for adults, expansion of opportunities to experience agriculture, forestry, and fisheries, promotion of the use of local products in school lunches, expansion of consumption of domestic products, strengthening of animal and plant quarantine, ensuring food access, and



"new integration" of rural areas with tourism operators and startups.

In addition, with the aim of establishing environmentally harmonized food systems, we will promote improving presence in international contributions and international negotiations and fostering domestic industries related to climate change by promoting the overseas deployment of "Initiative for Net-zero compatible with Food security through international expansion of innovative technology" which compiles greenhouse gas (GHG) emission reduction technologies in the agriculture, forestry and fisheries sector and measures to support overseas deployment of technologies.

In addition, in order to enhance the sustainability and promote the growth and development of the forestry and wood industry, in accordance with the amended Private Forest Management Entrustment Act, we will promote the accumulation and consolidation of forests, as well as the development of diverse human resources and management entities responsible for sustainable and cyclic use of forests, the development of infrastructure such as forest roads, reforestation, the conversion to domestic wood and the expansion of wood use through cost reduction in buildings using JAS (Japanese Agricultural Standards) structural wood products and CLT (cross-laminated timber), the development of human resources, smart forestry, and measures against pollen allergy.

In light of the critical situation of drastic changes in the marine environment, we will make efforts to strengthen the resilience of fisheries by drastically improving resource surveys and assessments, shifting to new forms of fishing, securing the management bodies and people who will be responsible for the future of fisheries, and developing fishing ports and grounds. We will also promote the nationwide expansion of the marine industry, the promotion of fishermen's activities for the preservation of the fishing village environment, and the regional revitalization of the sea, such as the popularization of "gyoshoku (fish-eating)," as well as the implementation of a new mutual aid system based on the revised Fishery Accident Compensation Act, the smart fishery industry, and the turning aquaculture into a growth sector.

#### **(4) Implementation of strategies to revitalize the content industry**

Our country's content, including animation, music, broadcast programs, movies, games, and manga, attracts people around the world and is highly valued in the global market, and is the property which should be proud of. In fact, the content industry generates more overseas sales than the steel and semiconductor industries, with overseas sales exceeding 5 trillion yen, making it one of the largest Japanese industries after the automobile industry. The contents industry is also important from the perspective of being nurtured within the region and contributing to regional revitalization, while at the same time taking in vitality from overseas. With regard to the contents industry, which is a key industry of our country, we will concretize the strategies for each field in the "Content Industry Revitalization Strategy" formulated last fiscal year, with the goal of expanding the overseas market for Japanese contents to 20 trillion yen by 2033. In order to ensure the achievement of this goal, we will work to clarify the prospects for capturing overseas markets by field, while concretizing initiatives such as priority regions and market development policies. While continuing to clarify these matters, we will formulate action plans for about five years in each major field, such as animation, music, broadcast programs, movies, games, and manga. We will work to materialize and strengthen support measures and promote international development and competitiveness through public-private partnerships. At this time, the government will reaffirm the establishment of a sound partnership between the public and private sectors, in which the government will work to improve the environment but will not interfere with content production by the private sector.

1) Strengthening the command center functions for the creator content industry

i) Further enhancement of the control tower function

The Public-Private Council on the Content Industry, which is the command center functions of the government for the creator content industry, will conduct the PDCA cycle while sharing and confirming progress between the public and private sectors, and will consider further strengthening the PDCA cycle, including ensuring its effectiveness.

In doing so, we will continue to deepen discussions between the public and private sectors on what kind of mechanism can be created by the public and private sectors in order to prevent such people from becoming thin, in light of the fact that many world-class creators do not necessarily earn enough money and start creating works on an experimental basis and flourish.

ii) Integrating and strengthening content-related measures and unifying information dissemination and consultation desks

The measures of the Ministry of Economy, Trade and Industry, which supports businesses, and the Ministry of Education, Culture, Sports, Science and Technology, which supports individual creators, will be further drastically strengthened, including the utilization and further integration of Japan Creator Support Fund.

In addition, support menus across ministries and agencies will be provided through the creation of a portal site, consultation desks will be unified, and information will be disseminated in a unified manner.

In addition, we will consider how to develop the statistical data, etc., necessary to continuously monitor the number of workers and market size in the content industry.

2) Promoting overseas expansion and the production and distribution of world-class content

i) Drastic Strengthening of Support for Overseas Expansion (content overseas expansion 2.0)

Efforts will be strengthened to increase opportunities to present excellent content and works overseas, including support for the Japan Pavilion's participation in international film festivals and trade fairs.

We will review the format of major events in our country, establish a framework not only to deliver our country content but also to evaluate global content, enhance the attractiveness of our country as a market, and consider the establishment of an award system not only for music and movies but also for animation from around the world.

By holding live performances and other real events in foreign countries, we will promote the establishment of overseas fan bases, and will actively promote joint productions and dialogue with partner countries when there are regulatory issues in the host country.

In addition, in order to further promote the overseas expansion of Japan's music and artists, and to return desirable remuneration to artists, etc., we will discuss the ideal form of the introduction of the "right to remuneration for communication of phonograms to the public," taking into account the prospects for consensus built among the parties concerned, the legal framework and harmonization with the international copyright system, and will reach an early conclusion.

ii) Support for content production

In order to secure funds for the production of high-quality content works that can be used on a global scale, support will be provided for the production of works financed by production companies themselves, while giving consideration to the expansion of the use of Eiteki (the work certification system implemented by Japan Motion Picture Production Standards Association). In doing so, we will also consider non-budgetary incentives and diversification of private financing methods that are not limited to the production committee method, with reference to

tax measures for development costs that have been implemented in other countries. We will also consider establishing systems to make contracts between content producers and digital platforms more transparent and better.

With regard to video content such as movies and broadcast programs, we will promote the production of digital assets such as video backgrounds and buildings and archive them, develop shooting studios in the private sector that are in short supply, examine how to utilize AI in the content industry, and strengthen support for the use of advanced and cutting-edge technologies (4K equipment, VFX, etc.) to compete with other countries. In addition, the government will support the creation of diverse IP at the planning and development stages, and support the attraction of shooting on location at a level comparable to that of overseas.

Examine the actual tax burden of domestic video production companies and the current status of tax incentives in major countries, and consider effective support measures for the video industry.

The game industry, which accounts for about 60% of the overseas sales of our country's content industry, faces major challenges such as rising development costs for advanced game machines and a shortage of development personnel. In order to support its growth, we will create and expand a subsidy system that directly supports part of the production costs for the creation of large-scale titles and new IP targeting overseas markets, and will consider measures to strengthen international competitiveness and expand exports in our country, with reference to support measures for specializing in the game industry that have been introduced in other countries. In addition, in order to strengthen the development and securing of highly skilled creative and technical human resources who can compete in the world, we will strategically promote systematic human resource development from the school education stage and measures to respond to human resource competition with private and overseas companies. With regard to the development and provision of "game engines," software that provides functions necessary for game development, we will support Japanese game companies that are developing their own engines, and will support efforts to develop programs in collaboration with graduate schools and companies with the aim of developing advanced next-generation game engines.

In order to strengthen the global competitiveness of the content industry, we will support the overseas expansion of content originating in Japan and expand its sales share. In priority strategic countries and regions, we will promote the development of a support system based on local needs, referring to the overseas expansion support system of the Korea Creative Content Agency (KOCCA), and will provide comprehensive support for marketing, public relations, and localization, including the strengthening of the functions of local agencies such as JETRO and the establishment of overseas offices capable of responding quickly to local needs. JLOX+ and other overseas expansion promotion projects will be expanded to the game industry.

Furthermore, regarding e-sports, efforts will be enhanced mainly by the Japan esports Union and local governments.

### iii) Further expansion of Japanese content to other countries

At JETRO's overseas offices, we will strengthen the recruitment and assignment of human resources specialized in contents and enhance support for overseas performances by business operators.

We will strengthen the transmission of the appeal of Japanese content and build a network, including the TIFF Lounge at the Tokyo International Film Festival for the exchange of filmmakers, through support by the Japan Foundation and the use of overseas diplomatic missions.

We will accelerate efforts to strengthen the overseas distribution functions of our country's broadcast programs and build a foundation for overseas evaluation of printed content, including manga.

At the same time, we will build bilateral and multilateral cooperation systems to advance measures against pirated copies of digital contents and goods, etc., support domestic rights holders in exercising their rights, raise awareness of protection of their copyrights overseas, and consider how effective measures against online piracy using AI can be, and take necessary measures.

iv) Cultivating future creators and laying the foundation for the next generation

In each region, we will enhance opportunities for children to have hands-on experience, and support will be provided for the upgrading of mini-theaters, which are centers of visual literacy and transmission of visual culture, in order to maintain our country's film culture.

Based on the concept of the National Center for Media Arts (Tentative name) for media arts such as manga and anime, we will further promote the development of centers that will serve as "hubs" in our country for research on preservation and utilization of manga and anime including digital archives, human resource development, exchanges with major overseas museums, and the international dissemination of information in cooperation with industry.

In order to advance the business model reform of the broadcasting industry in light of the change in the viewing environment from broadcasting to distribution, a joint council of the public and private sectors will be formed, an action plan will be established, global content production and overseas expansion will be tackled, and highly specialized human resources such as producers specialized in the content business will be developed.

Utilizing Japan Creator Support Fund, we will promote the creation of curricula at universities and Professional Training Colleges to visualize and standardize industry skills, and develop and secure highly specialized human resources who will play an active role on a global scale. We will also develop and introduce open teaching materials and develop leadership training at universities and Professional Training Colleges nationwide, and develop and secure core specialized human resources in the fields of creators, engineers, and staff.

v) Regional development through content

In addition to promoting the use of "New Regional Economies and Living Environments Creation Grant" by local governments that are making advanced efforts, we will accelerate community-wide efforts based on the "Virtuous Cycle of Content and Local Revitalization Plan."

To this end, an English version of the handbook, which summarizes matters to be addressed by film commissions, licensees and producers, will be prepared and disseminated overseas. We will also promote the creation of "sacred places" that utilize local stories and products, and establish an award system for good practices. At the same time, the government and the private sector will work together to support various real events such as cosplay events that will spread in rural areas to attract tourists from overseas.

3) Development of an environment where creators can work with peace of mind on a sustainable basis

Creators grow only when they have the support that the staff working on site can make a good living. Efforts will be made to create an environment where people's lives are stable and appropriate business relationships and working hours are observed.

i) Prevention of Abuse of Superior Position and Rationalization of Transactions

In order to create a comfortable working environment for performers, it is essential to reform trade practices in the content field, such as promoting price pass-through. Based on the 2024 survey on trade practices in the field of music and broadcast programs, we will formulate guidelines to clarify the stance under the Anti-Monopoly Act from the viewpoint of ensuring the appropriateness of contracts between performers and offices, and will work with the relevant ministries and agencies to thoroughly disseminate the guidelines.

In order to develop a trading environment in which the creativity of individual film and animation creators can be maximized, we will advance a survey on the trading environment of creators at film and animation production sites, which has been conducted since 2025, and aim to publish the results this autumn. Based on the survey results, we will formulate guidelines to clarify our stance under the Anti-Monopoly Act.

In addition, the government will thoroughly publicize the "Guidelines for Building Appropriate Contractual Relationships in the Cultural and Artistic Field (Summary of Studies)," which were revised in October last year, and will strengthen the system of the "Legal Consultation Desk for Cultural and Artistic Activities," which allows creators to consult lawyers free of charge for problems related to contracts and activities.

#### ii) Promotion of improvement of working environment

In order for creators to make the most of their creativity, the public and private sectors must work together to promote the improvement of the working environment.

With regard to support for business operators related to domestic video production, we will review and improve support projects, such as adding points or requirements for Japan Motion Picture Production Standards Association and compliance with the Labor Standards Act. We will support voluntary efforts in the industry, promote efforts to improve the working environment using Japan Creator Support Fund, and consider solutions to various issues associated with improving the working environment related to production.

In order to ensure the sustainable production of high-quality animation in the rapidly growing animation industry, we will support efforts to establish a framework (Aniteki) that certifies works that provide an appropriate work environment for creators, etc., with reference to guidelines developed by the film industry.

### **(5) Tourism**

Based on the Tourism Nation Promotion Basic Plan approved by the Cabinet in March 2023, the government aims to achieve the target of 60 million foreign tourists visiting Japan and 15 trillion yen in consumption in 2030 by promoting measures to create sustainable tourism regions, attract inbound tourists mainly from local regions, and expand domestic exchanges<sup>21</sup>.

In particular, the government will promote the development of high-value-added inbound tourism destinations in rural areas to attract inbound tourists, mainly in rural areas, while working to prevent and control congestion and bad manners associated with the increase in the number of tourists.

#### 1) Promotion of inbound travel in rural areas

Demand for medium-sized companies and small and medium-sized enterprises (SMEs) in rural areas is particularly strong in industries related to inbound tourism, such as the service industry, and efforts will be made to expand inbound tourism in rural areas.

Among the 36.87 million foreign visitors to Japan last year, 81% used 4 airports (Haneda Airport, Narita Airport, Kansai International Airport, and Fukuoka Airport). If the number of visitors increases by about 20 million more, it is necessary to establish a system to accept visitors at other regional airports in addition to these major airports. In order to increase

overseas flights from regional airports, consideration will be given to the balance between inbound and outbound flights, and measures will be considered to utilize regional airports strategically, such as creating incentives for foreign tourists visiting Japan from major airports to depart from regional airports and creating a system to support the initial period of deficit. In addition, the government will improve the environment for accommodating cruise ships.

There are some cases where young people who had trained in sake breweries took over the breweries and started sake brewing, but there are only a few individual cases. Under these circumstances, in order to pass on "Traditional knowledge and skills of *sake*-making with *koji* mold in Japan" to the next generation, we will consider, based on the results of a survey project scheduled to be conducted in fiscal 2025 and in cooperation with related organizations, starting with a project to support the business succession of sake breweries as an initiative to enable people with motivation and ability to start sake brewing, and having the National Tax Agency follow up on the progress.

## 2) Promoting the establishment of a management system for tourist destinations centered on high-quality DMOs

With regard to Destination Management/Marketing Organization (DMO), which is supposed to be the control tower of tourist resort management, we will strengthen the funds, systems, and regional management capabilities, which are issues.

In addition to making it mandatory for DMOs to formulate financial resource plans, support will be provided to strengthen the system for securing stable financial resources such as lodging taxes and entrance fees in order to secure sufficient freedom and scale of funds for activities at DMOs. To this end, we will formulate guidelines based on advanced cases and disseminate them to local governments so that incentives will work for DMOs by linking the number of tourists and consumption to their income.

In order for DMO to develop and secure human resources for tourism site management so that DMO can autonomously exercise its control tower function, DMO will make it obligatory for DMO to take staff training approved by the Japan Tourism Agency, and will dispatch personnel to provide guidance to DMO staff. In addition, we will support the creation of an organizational structure in which external human resources with managerial skills can be employed and played an active role with appropriate treatment.

In order to improve regional management capabilities, we will make it obligatory to draw up a strategy for managing tourist spots and establish a consensus building mechanism involving local stakeholders. Support will be provided for the construction of a data analysis system for human flow that should be utilized in the formulation of the strategy, the development of a reception environment for securing secondary traffic based on the strategy, and efforts to explain the results to local residents and reflect them in local management.

In order to form a DMO that is working to create a sustainable tourism region that can be proud of in the world, the selection of "Pioneering DMO" will be promoted, and in order to enable the region to enjoy the maximum amount of tourism revenue, we will provide priority support to attract tourists with high cost of consumption and high value-added investment in tourist facilities, etc., which are conducted by local tourism business operators and financial institutions, etc., and nurture them as advanced examples, and will expand their know-how and mechanisms nationwide.

## **(6) Promoting External Economic Partnerships and Overseas Business Development**

In order to realize a "Free and Open Indo-Pacific", we will propose and promote the concept in various forums and promote specific initiatives. We will maintain and strengthen the free and fair economic order by actively engaging in negotiations on economic partnership

agreements such as the CPTPP and RCEP, as well as new EPAs and investment agreements. Regarding a multilateral framework, we will also play a central role in strengthening the WTO system.

Japan will expand Official Development Assistance (ODA) in various ways, including by accelerating processes and promoting new approaches of international cooperation, and will promote the formulation of concrete projects through "Co-creation for common agenda initiative" which strategically proposes Japan's strengths, including in new strategic areas such as health. This will not only help resolve issues facing developing countries but will also lead to increased investment and exports by Japanese companies.

Through the holding of networking events and seminars using officials in charge of economic affairs at diplomatic missions and external advisers, the government will promote cooperation with local partner companies that can be relied on locally, especially for the overseas expansion of medium-sized companies and SMEs and the overseas expansion of the food industry. In promoting investment, export expansion, and overseas expansion by Japanese companies, Japan will further strengthen cooperation with international organizations such as the United Nations Development Programme (UNDP), which promotes private sector financing for development issues and cooperation with Japanese companies.

Based on the Infrastructure System Overseas Promotion Strategy 2030, we will continue to strengthen public-private partnerships and steadily implement this strategy to achieve the target of 45 trillion yen in infrastructure systems orders received overseas in 2030.

Overseas, we will promote impact investment to address social challenges in each country by utilizing financial tools and schemes introduced by the amendment of the JICA Act and other related measures, and we will also promote support using the functions of the Japan Bank for International Cooperation.

### **(7) Accelerating invitation of FDI in Japan**

The FDI Promotion Program 2025 will be implemented with the aim of increasing the FDI stock in Japan to 120 trillion yen in 2030 and 150 trillion yen as early as possible in the first half of the 2030s. We will promote investment in strategic fields such as DX, GX, and life sciences, recommend initiatives to support the attraction of foreign direct investment in Japan through "New Regional Economies and Living Environments Creation Grant", and promote initiatives to utilize and review the special zone system. Activities will be expanded through the FDI Task Force in cooperation with Japanese embassies and JETRO offices to strengthen the dissemination of information on FDI in Japan. At the same time, highly-skilled foreign professionals will be secured from India and other Asian regions, bearing in mind the demand for English-speaking talent expected to accompany the increase in FDI in Japan.

## **3. Steady promotion of GX and DX**

Based on the basic premise of a stable supply of energy, we will steadily promote GX to achieve both international commitments such as net zero by 2050 and economic growth and strengthening of industrial competitiveness.

At the same time, by steadily promoting DX, we will secure leadership in game change and industrial structural transformation brought about by AI and digital technologies. In doing so, we will consider taking advantage of our country's strengths in manufacturing in fields that require high reliability.

### **(1) GX**

In light of our country's unique circumstances, and based on the principle of S+3E, and based on the principle of pursuing all possible options, Japan will introduce renewable energy

as its main power source to the maximum extent possible, and aim for a balanced power source structure that does not excessively depend on any specific power sources or fuel sources. In particular, as demand for electricity is expected to increase due to the progress of DX and GX, Japan's industries and economy depend on whether or not we can provide enough decarbonized electricity that matches the demand at competitive prices. Therefore, decarbonized power sources such as renewable energy and nuclear power will be utilized to the fullest extent. Based on this concept, we will accelerate efforts to realize a stable energy supply, economic growth, and decarbonization simultaneously while giving shape to the policies by implementing the GX2040 Vision, the Seventh Strategic Energy Plan, and the Plan for Global Warming Countermeasures in an integrated manner, which were decided by the Cabinet in February this year.

In addition, industry, government, and academia will work together to promote the transition to a circular economy in which resources are used efficiently, cyclically, and effectively throughout the market life cycle.

#### 1) Development of GX and energy policies with a view to 2040

With the progress of DX and GX, demand for electricity is expected to increase, and securing decarbonized power sources will determine the nation's power. In addition to promoting energy conservation for large-scale demand such as data centers, we will consider effective coordination between electricity and telecommunications (watt-bit coordination) to guide data centers to appropriate locations, mechanisms to ensure fairness in the cost of system development, and measures to improve the business environment and smooth financing for decarbonization investment in the electricity sector such as power generation and transmission and distribution.

In addition, after effectively conducting necessary reviews based on the progress of GX investment, global trends, impact on the economy, trends in technology development, etc., we will promote GX from the perspective of increasing the predictability of private businesses and achieving a just transition, and implement the Pro-Growth Carbon Pricing Concept

to attract public and private investment of 150 trillion yen over 10 years through an advance investment support measure of 20 trillion yen.

At the same time, we will accelerate the development of innovative energy technologies while sharing a clear international strategy among industry, academia and government to realize discontinuous innovation and early social implementation.

Based on the above viewpoints, the following initiatives will be promoted.

- Wider introduction of renewable energy
- Wider introduction of offshore wind power
- Promotion of renewable energy in harmony with local communities
- Grid development and promotion of batteries, etc.
- Utilization of nuclear power
- Utilization of hydrogen, etc.
- Securing a stable supply of resources such as oil, natural gas, and important minerals
- Promotion of collaboration among businesses
- Mobility-related decarbonization of next-generation aircraft and other modes of transport

Among them, regarding geothermal power generation, measures for early commercialization of next generation geothermal power generation such as closed loop (A system in which a well is drilled in a hot geothermal layer and the fluid is circulated to generate electricity) will be compiled by the end of this year. In addition, we will conduct flow surveys for small- and medium-sized hydropower generation and create projects led by local governments. With regard to SAF (Sustainable Aviation Fuel), the Government will promote research and



development and capital investment to achieve internationally competitive prices.

## 2) Implementation and further development of Pro-Growth Carbon Pricing Concept

### i) Utilization of GX Economy Transition Bonds

Based on the basic principles of investment promotion measures set forth in the GX2040 Vision, we will examine factors such as technology, market outlook, and business effects of GX Economy Transition Bonds and promote GX investment. In addition, we will steadily issue Japan Climate Transition Bonds, which were the first government-labeled transition bonds, in order to expand the global transition finance market. We will also issue allocation reports and impact reports to enhance market credibility. With a view to achieving net zero by 2050, in order to further advance in the “Green Innovation Fund Project” and maximize the results of projects, we will continue to pay close attention to trends in global competition and review projects as necessary, based on analysis of such trends and opinions from external experts.

### ii) Concretization of Pro-Growth Carbon Pricing

Based on the GX2040 Vision, we will promote the development of the necessary systems to materialize Pro-Growth Carbon Pricing, such as the full-scale operation of the emissions trading system from FY 2026 and the introduction of a surcharge on fossil fuel supply from FY 2028, and to generate credits from CDR and other initiatives.

### iii) Promoting GX including communities, lifestyles, and SMEs

The government will select at least 100 Decarbonization Leading Areas and realize by FY 2030. At the same time, we will actively support efforts to accelerate regional decarbonization to achieve both regional revitalization and decarbonization. In addition, we will consider to build a new pilot project (pilot project for regional GX innovation) for the comprehensive introduction of hydrogen technology, heat decarbonization, VPP, and other new technologies in the region. In addition, the government will consider strengthening incentives for the use of regional decarbonization promotion project system based on the Act on Promotion of Global Warming Countermeasures, and a mechanism for promoting the introduction of renewable energy and local production for local consumption by regional energy companies (Japanese version of Stadtwerke).

We will take measures related to the "GX of living," including support for retrofitting homes with windows with superior insulation performance, support for the introduction of high-efficiency water heaters such as heat pumps, support for the purchase of electric vehicles, and support for ZEH and ZEB, and the definition of ZEH and ZEH-M will be reviewed. In addition, labeling rules and incentive schemes to stimulate consumer demand for products and services that contribute to decarbonization and decarbonization of the entire value chain will be examined, and a conclusion will be reached within this fiscal year. Reducing the environmental impact of medical and long-term care facilities will also be examined.

### iv) Strengthening support for startups and finance in the GX sector

In order to foster startups in the GX sector, the government will provide comprehensive support for commercialization, identify projects for the creation of GX startups in Japan, and provide risk money through Japan Green Investment Corp. for Carbon Neutrality (JICN). In addition, the GX Acceleration Agency, which was established last year, will provide financial support such as debt guarantees and equity investments for GX projects to supplement risks that private financial institutions cannot truly address.

v) Contribution to global decarbonization through the use of AZEC, etc.

With regard to the Asia Zero Emission Community (AZEC), based on the "Action Plan for Next Decade" adopted at the AZEC Leaders Meeting in October last year, we will: 1) facilitate "AZEC Solutions" such as developing rules to promote activities contributing to decarbonization; 2) launch initiatives for decarbonization in the emissions-intensive sectors of electricity, transportation, and industry; and 3) further create and implement individual projects. To this end, through the framework of international dialogues, we will promote rule-making on the visualization of greenhouse gas emissions and the development of high-integrity carbon markets.

By further enhancing the "Asia Zero Emissions Center" of ERIA as a platform, while making use of subsidies for the Global South Future-Oriented Co-Creation Project, we will proactively and steadily achieve results in bilateral projects such as LNG, hydrogen, ammonia, power grids, critical minerals, CCUS, and nuclear power generation, as well as concrete projects by the public and private sectors. In light of the fact that it has been pointed out that 4,000 trillion yen of investment is required to achieve zero emissions in Asia by 2050, along with the expected outcomes of the above projects, we will work with ASEAN to further establish and communicate the significance of AZEC and the concept of an Asia-style economic growth model through decarbonization based on the AZEC platform both domestically and globally.

We will further enhance ERIA as a startup platform and promote business matching and business creation for startups. In addition, a mechanism will be established to follow the progress of each country's policies, and policy dialogues will be promoted among practitioners in each country in the three areas toward the realization of initiatives. We will accelerate international discussions and efforts to promote transition finance in Asia through ATFSG (Asian Transition Finance Study Group), the Asia GX Consortium, and others.

We will expand cooperation based on City-to-City Collaboration and the Joint Crediting Mechanism (JCM) to maximize our contribution to global emissions reduction and removal. With regard to the JCM, we will work to accelerate the process of JCM under the designated implementing agency that was established in April this year based on the Revised Act on Promotion of Global Warming Countermeasures, as well as to scale up JCM projects, accelerate the issuance of credits, and expand the fields and areas. In formulating JCM projects, cooperation between cities will be promoted, and the overseas expansion of regional medium-sized companies and SMEs will be supported under the coordination of local governments. We will simplify and streamline the process to issue JCM credits, and consider using satellite technology to calculate emissions. This direction will be positioned by revising the Basic Strategy for Overseas Expansion of Environmental Infrastructure by this summer.

### 3) Transition to a circular economy

The transition to a circular economy will contribute to the realization of net zero and nature-positive, while enriching regions, strengthening competitiveness and contributing to economic security. Based on "The 5th Fundamental Plan for Establishing a Sound Material-Cycle Society" and the "Package for Accelerating the Transition to a Circular Economy" decided by the relevant Ministerial Conference on Circular Economy, the entire government will promote the transition to a circular economy as a national strategy through the following initiatives.

#### i) Realization of Enriched Livelihoods and Communities Using Local Recyclable Resources

Utilizing Circular Partners, we will prompt demonstration and implementation of a regional circulation model, and establish a framework to promote international standardization and international cooperation.

We will support the creation of resource recycling businesses through the matching among local governments, enterprises, and start-ups utilizing the Resource Circulation Local Government Forum, as well as supporting the demonstration of models in cooperation with the Forum, the development of core human resources, the promotion of technology demonstration and capital investment, and the development of municipal facilities. In addition, we will consider to support projects that promote the recycling of unused resources in regions through public-private partnerships.

Based on the Second Basic Policy on Promotion of Food Loss and Waste Reduction, the promotion of food technology will be promoted. We will promote sustainable fashion initiatives by supporting the development of reuse, repair, and sharing, and promoting environmentally conscious designs including information disclosure and standardization in the textile and apparel industries. The Government will also revise guidelines for the recycling of used disposable diapers. In addition, we will create circular economy region for agriculture, forestry and fisheries throughout the country, promote local production and consumption of resources and energy, and promote the sustainable and cyclic use of forest resources by expanding the use of wood for mid-to-high-rise buildings, developing and demonstrating technologies for new materials such as glycol lignin, and accelerating reforestation through labor-saving and cost reduction reforestation.

In addition, we will promote horizontal recycling of construction waste and efforts to expand demand, as well as promote effective and appropriate use of soil generated from construction. Study on incorporating waste from the health, medical and nursing care sectors into the circular economy.

We will promote the formation of a highly sustainable and marketable housing market and the appropriate management and utilization of vacant houses, and will accelerate the shift to preventive maintenance to extend the life of infrastructure.

We will promote CE commerce business (efficient use of goods such as sharing). In order to expand the reuse market, we will work to facilitate the business environment to create business models and develop appropriate suppliers.

## ii) Building an advanced resource circulation network in Japan and overseas

We will formulate a plan to expand the use of recycled materials, mandate regular reporting, and establish a top runner certification system. At the same time, we will promote technology development and capital investment necessary to promote the use of recycled materials and design for environment, and consider the establishment of an efficient collection and sorting system and review the relevant rules and regulations.

Consider a system to promote the reuse and recycling of used solar panels and promote environmental improvement. We will create advanced collaborative businesses between the manufacturing industry and the resource recycling industry, and promote technology development and capital investment for the advancement of resource recycling businesses. Study to realize stable supply of recycled plastics to automobile manufacturing industry will be promoted through industry-government-academia cooperation.

As a part of the Ouranos Ecosystem's initiative, we will gradually implement a chemical and circular management platform in society from FY 2025, and consider expanding use cases.

We will strengthen the supply chain of recycled materials from the resource recycling industry to the manufacturing industry. In order to strategically build resource circulation networks and bases, we will promote the selection and development of base ports and consider

institutional measures to support the rationalization and efficiency of siting and distribution. We will strengthen regulations on yards that improperly store and dispose of scrap metal.

We will support the development of laws and regulations for recycling such as E-scrap in ASEAN countries and thereby contribute to expansion of recycling businesses in Japan. We will aim to expand the same cooperation framework to include automobiles and storage batteries.

In cooperation with the resource recycling industry, efforts will be made to secure personnel and high-level human resources to advance the sophistication of resource recycling, and consideration will be given to the field as a target of the Employment-for-Skill-Development Program and the Specified Skilled worker system.

In cooperation with private financial institutions, the Development Bank of Japan, the Japan Bank for International Cooperation, and JICN, we will promote private investment toward the transition to a circular economy.

We will contribute to the development of the Global Circularity Protocol (GCP) by the World Business Council for Sustainable Development (WBCSD) by the end of this year, with a view to appropriately reflecting the strengths of Japanese companies. For the revision after the next year, we will develop the draft of sector-specific information disclosure guidance and develop an international standardization strategy by the end of the current fiscal year.

#### 4) Shift to a nature-positive economic and social system

Toward the transition to a nature-positive economy and society, we will formulate a roadmap to increase corporate value through natural capital investment, promote disclosure of nature-related financial information, expand nature financing, and work to maintain and strengthen corporate competitiveness by working toward international standardization of nature-related fields. In addition, we will start to study a value assessment method with the aim of establishing a trading system for biodiversity values, enhance its data base, and promote the joint management of local natural capital, thereby contributing to the improvement of corporate and local value.

For the International Horticultural Expo 2027, Yokohama, Japan, which will be an opportunity to disseminate new technologies that utilize nature to the world and address social issues, we will steadily advance the implementation of Nature-based Solutions (NbS) and green infrastructure, as well as preparations such as inviting participants and building momentum.

## **(2) DX**

Promote both the promotion of innovation such as AI and risk management, and promote the social implementation of digital infrastructure.

### 1) Promoting AI innovation and responding to risks

While generative AI will bring about major changes in socioeconomic systems, it is also pointed out that there are various risks such as disinformation, misinformation, and promotion of prejudice. Based on the recently enacted Act on Promotion of Research & Development, and Utilization of Artificial Intelligence-related Technology, we will establish a strategic headquarters, formulate a basic plan, develop guidelines, and conduct research and studies smoothly, while simultaneously promoting AI innovation and AI-driven innovation in various fields as well as mitigating risks.

#### i) Promotion of AI R&D

We will accelerate AI for Science (using AI to achieve scientific results), promptly develop and operate a new flagship system of supercomputers by approximately 2030, and promote R&D

and social implementation of energy-saving technologies such as AI semiconductors.

We will promote research and development, demonstration and implementation of physical AI such as multi-modal AI models and AI robots, and support related startups. By the end of FY 2025, we will formulate a strategy for expanding the implementation and strengthening competitiveness of robots to which AI and advanced semiconductors will be installed.

ii) Development of computing resources and information and communications infrastructure

We will accelerate the development and sharing of facilities and equipment such as research data infrastructure and computing infrastructure, Watt-bit collaboration, and the development of data centers.

In addition to developing and expanding high-quality Japanese data and utilizing unused data, we will promote and utilize reliable AI development and evaluation based on Japanese culture and customs.

iii) Promotion of social implementation and utilization

In order to promote the use of AI in important fields and to solve social issues, and to make the use of AI by the government and local governments the starting point for the social implementation of AI, the Digital Agency will promote the advancement of AI functions through the provision and use of an AI usage environment (Government AI) at government and other administrative sites.

iv) Ensuring the appropriateness of AI development and utilization, and research and study

We will conduct surveys on the actual status of R&D and utilization of AI by business operators, including analysis and countermeasures for actual AI development for illicit purposes, and will promote R&D on AI safety.

The AI Safety Institute (AISI) will research and analyze AI security and develop verification tools in cooperation with related ministries and agencies.

We will establish a government-wide mechanism to appropriately manage risks, such as the establishment of a CAIO (Chief AI Officer) in each government agency.

Regarding countermeasures against disinformation and misinformation on the Internet, including those caused by generative AI, we will comprehensively promote measures such as the development support of countermeasure technologies, appropriate operation of Information Distribution Platform Acts, and awareness raising to deter from easily spreading such information.

v) Securing and fostering AI-related human resources and promoting education

Support will be provided for the promotion of education to inculcate the necessary knowledge so that the citizens can enjoy the benefits of AI, and for the human resources development of young researchers and engineers, including students, as well as for the construction of industry-academia-government networks that ensure close cooperation among universities and research institutes and the transparency and reliability of AI.

vi) Promotion of international cooperation

While promoting activities such as the Hiroshima AI Process and the Global Partnership on AI (GPAI), Japan will strengthen cooperation with developing countries beyond the G7 and lead international rule-making to promote safe, secure, and trustworthy AI.

2) Semiconductor investment

The high performance and low power consumption of semiconductors make it possible to

perform advanced, high-speed and power-saving calculations. The government will also make use of the "AI and Semiconductor Industry Foundation Strengthening Framework," which will provide more than 10 trillion yen in public assistance over 7 years through FY 2030, and will steadily provide investment support.

Our country's swift support measures and solid supply chain for semiconductors have been praised both at home and abroad, encouraging investors to invest in our country. To secure a stable supply of advanced semiconductors, we will support investment decisions through support for the establishment of domestic production bases, and will promote production at those bases.

Rapidus Corporation has started the start-up of a pilot line at its next-generation semiconductor design and manufacturing base. Further advancement of manufacturing technology and development of original transport systems and production management systems will be promoted. In addition, based on the provisions of the amended Act Concerning the Promotion of Information Processing, financial support such as investment will be provided to businesses that intend to engage in mass production of next-generation semiconductors.

In addition, support will be provided for the design and development of semiconductors to promote the utilization of next-generation semiconductors, and the development of peripheral technologies such as equipment and materials that will contribute to the advancement of next-generation semiconductors. The government will also conduct the development of advanced human resources in charge of these works.

Securing a stable supply of conventional semiconductors and advanced electronic components as well as their manufacturing equipment and parts and materials is also extremely important for economic security. Support for the development of domestic production bases will help semiconductor manufacturers make investment decisions.

In addition, we will accelerate the development of necessary infrastructure such as industrial water and roads and the development of semiconductor human resources necessary for manufacturing sites.

Through these efforts, the company aims to exceed the total sales of domestic semiconductor manufacturers (semiconductor-related) by 15 trillion yen in 2030 and the total sales of domestic advanced electronic components manufacturers by 3 trillion yen in 2030.

### 3) Development of digital infrastructure

While advancing the development of post-5G information and communications systems, we will promote R&D, international standardization, and medium- to long-term support for the introduction, including testbed development, toward the realization of next-generation information and communications infrastructure (Beyond 5G) such as all-photonics networks and mobiles, High Altitude Platform Station (HAPS), and low-Earth orbit satellite communications services in which our country operators are actively involved.

We will also support R&D and overseas expansion to establish a base station system (open RAN) market, which enables the free combination of equipment from different vendors.

From the viewpoint of economic security, we will ensure an autonomous system for the production, installation and maintenance of undersea cables, which carry 99% of our country's international communications traffic.

### 4) Cyber security

The government will include the "Labeling Scheme based on Japan Cyber-Security Technical Assessment Requirements" for IoT products in the selection criteria for procurement by government agencies at an early stage. We will develop human resources capable of

responding to increasingly sophisticated cyber attacks through the construction of simulation plants and large-scale training environments, and will promote support for SMEs through the dissemination and review of the "Cyber Security Support Team Service."

In addition, we will steadily implement measures such as the active use of startup products and services by government agencies, the development of a certification system for highly reliable service providers, and the expansion of research and development projects. At the same time, domestic software for detecting unknown threat information and vulnerability will be developed and introduced step by step to government terminals, etc., and commercialization by domestic vendors will be accelerated by utilizing the results of information collection and advanced analysis using AI in the private sector.

#### 5) Promotion of data utilization

In order to realize a data-driven society, while taking into account the legal systems of Europe and the United States, and taking into account the viewpoints of privacy, intellectual property protection, and security, the basic policy will be compiled in June on the ideal cross-cutting legal system, how we should update the Act on the Protection of Personal Information, and the development of digital public goods. With regard to the cross-cutting legal system, we aim to submit a bill to the next ordinary Diet session after conducting necessary studies, including a fundamental revision of the Basic Act on the Advancement of Public and Private Sector Data Utilization and a new law. We also aim to reach a conclusion swiftly on a bill to amend the Act on the Protection of Personal Information, which will become the foundation of the policy above, and submit the bill promptly.

With regard to medical data, in order to establish a legal system that can be smoothly used for drug discovery, the period of review and division of roles will be specified, and ensuring appropriate supervision and governance, how patients should be involved (This includes whether consent is necessary or not, and how it should not depend on the patient's consent.), and the scope of information that can be used for secondary use will be examined. With regard to financial data, efforts will be promoted from a user-oriented perspective so that individuals can easily and safely grasp their own household stock and flow. We will standardize educational data by utilizing existing certification infrastructure. Efforts will be made to secure the trust necessary for data linkage, including industrial data, and the formation of a data linkage ecosystem by establishing a public-private council and creating use cases.

The Digital Agency, which is responsible for shaping the digital society, will play the role of a control tower for data policy. We will strengthen the system by gathering the necessary human resources, and strategically promote data policy by examining systems and architectures that promote data utilization and disciplining ministries and agencies.

#### 6) Promoting the dissemination and utilization of My Number Card

By utilizing the identity verification and authentication functions of My Number Card, which is the foundation of the digital society, the government will promote the "Online City Government Services," which realizes public services that are close to each person from a smartphone in a push-type manner, and the "Citizen Card Use," which enables users to use various services safely by carrying and present the card. The government will also promote the creation of new use cases of My Number Card in private sector, such as reduction of impersonation, realization of simple, quick and inexpensive identity verification: for example, preventing illegal resales in entertainment sector by an identity verification when purchasing tickets and entering the venue.

#### 7) Promotion of digital government

The central government will promote visualization of cost-effectiveness in order to optimize the entire government information system. By the end of FY 2027, 340 local governments will implement reforms, such as online applications and one-stop counters, through the digitization of local government counter services and administrative procedures as well as the development of digital infrastructure, such as Government Cloud, that can be used by both the central and local governments.

Instead of having each local government develop and own a system, the central and local governments will cooperate to develop a common system that can be used by a wide range of local governments. Efforts will be made to standardize information systems for 20 core operations, harmonize the 11 operations and systems decided in FY 2025, such as the bid participation qualification screening system, and select new targets for harmonization from FY 2025.

#### 8) Promotion of the Ouranos Ecosystem

We will create concrete use cases in the Ouranos Ecosystem, expand initiatives, and promote global cooperation, such as the realization of a battery passport in the automotive use case, the visualization of CO2 emissions throughout the full life cycle of an automobile, and the development and demonstration of a chemical and circular management platform.

#### 9) web3

In order to utilize tokens such as NFTs to connect people from different places, transcend geographical restrictions, and to realize a shift of local value to global prices, we will promote such as the development of standards for the development of a safe and secure environment in technical areas including web3 such as NFTs.

Sound development of web3 business such as crypto assets will solve social problems in our country and contribute to improvement of productivity. In addition, the expansion of trading in crypto assets based on blockchain technology can lead to the advancement of the digital economy, and although crypto assets have considerable volatility, they are expected to become a part of alternative investment (A generic term for alternative investment methods that have different risk-return characteristics from the traditional investment targets such as listed stocks and bonds.) and become a target of diversified investment for asset formation by investors who have the ability to judge and bear risks.

From this perspective, while taking into account developments in other countries, we will position crypto assets as financial instruments that help the formation of assets for the people in the business-related law. The Government will also consider a review of the tax system, including the introduction of separate taxation, while aiming to submit a bill to the Diet as soon as possible to establish a system to protect investors and to improve reporting requirements to tax authorities.

#### 10) DX in architecture and cities

Construction confirmation using BIM (Building Information Modeling: 3D data about building shape, materials, and construction methods), development of PLATEAU (a three-dimensional model for the arrangement of buildings and roads in urban space) expansion of cities and deepening of social implementation, and promotion and global expansion of DX for buildings and cities in which geospatial information obtained from national land numerical data and cadastral development is linked through real estate ID, which will advance the study of methods for providing location information. The Government will also promote the development and strengthening of National Geospatial Infrastructure as a digital public infrastructure that contributes to Japan's sustainable growth and rapid recovery and reconstruction from disasters.



#### 11) Facilitating DX in whole area

In order to generate new economic growth through productivity improvements in a wide range of fields, including logistics, agriculture, forestry and fisheries, and construction, as well as solutions to our country's social issues such as disaster management, disaster recovery, and the advancement of maritime policies, and the creation of new businesses associated with such improvements, we will promote the enhancement and utilization of geospatial information (Geospatial Information), which is a common infrastructure supporting new technologies in various fields, including drones, automated driving, ICT construction and agricultural machines, and AUV (Autonomous Unmanned Vehicle), as well as strongly promote the development and renewal of national land information infrastructures, such as GNSS Continuously Operating Reference Stations and three-dimensional Digital Japan Basic Map, which form the foundation for accurate Geospatial Information and support our diverse socio-economic activities.

Furthermore, from the perspective of promoting DX on these common bases in whole area, we will strongly promote the social implementation of new technologies utilizing Geospatial information and National Geospatial Infrastructure in a wide, cross-sectional and comprehensive manner.

#### 12) Development of a competitive environment for smartphone applications, etc.

To ensure the swift and effective full enforcement of the Act on the Promotion of Competition for Specified Smartphone Software while maintaining security, the Japan Fair Trade Commission will strengthen its enforcement capabilities, including the use of digital tools and generative AI.

### **4. Strengthening investment in economic security**

Strengthen investment in areas such as economic security, with a view to maintaining and developing our country's industrial and technological infrastructure.

#### 1) Promotion of economic security policies

In light of the situation in which intensified competition among major economies and technologies is accelerating the enclosure of industrial and technological bases, in order to further promote economic security policies that enhance the autonomy and indispensability of our country, we will promote initiatives such as strengthening the resilience of industrial value chains, solving issues through strengthening technological superiority and social implementation, and taking measures against technology outflow. We will also strengthen economic intelligence functions to analyze threats and risks in cooperation with the public and private sectors. In addition, taking the international environment and the tectonic shift in technological innovation as opportunities, we will take all possible measures, including a fundamental review of the Economic Security Promotion Act.

#### 2) Promotion of investment in intangible assets through innovation box tax system

With regard to the scope of the Innovation Box Tax System, which provides income deductions of 30% of capital gains arising from patent rights, etc., that have been researched and developed in Japan, we will consider revising the scope, based on the circumstances, from the viewpoint of enforceability, taking into account the state of securing financial resources, after fully examining the implementation status and effects of the system, and will also consider improving the convenience of Japanese companies in line with their actual situation.

#### 3) Biotechnology industry

In biotechnology manufacturing, we will promote technology development and demonstration for commercial use, and work to establish rules for safety assessment and other measures to create demand. In addition, the government will develop and expand incubation bases in the biotechnology sector and support startups entering the United States and other countries to build local ecosystems and networks.

#### 4) Storage battery

Based on the Battery Industry Strategy, we will further expand the manufacturing base of batteries, parts and materials, and manufacturing equipment in Japan and overseas toward 2030, and promote research and development of all-solid-state batteries toward full-scale commercialization around 2030. We will also strengthen the entire supply chain of safe, secure, and sustainable batteries, and work on cooperation among willing countries and overseas expansion.

### **5. Strengthening growth investment in PE funds**

Restructuring by private equity funds, PE fund (funds that invest in shares of unlisted companies) enables companies with superior technology to expand overseas or expand their business. Specifically, it suggests that corporate restructuring through PE funds can be expected to increase value-added per employee by increasing sales without reducing the number of employees in general.

Based on this, measures to expand the provision of public funds to PE funds will be considered.

#### 1) Creation and development of private funds through the Japan Investment Corporation (JIC), etc.

We will create and foster private funds such as private equity funds and venture capital funds that actively invest in domestic companies and startups on a large scale by strengthening the investment function of public and private funds such as JIC and further engaging in LP investment and joint investment.

In addition, promoting the introduction of fair value assessment for private funds is extremely important from the perspective of attracting investment from institutional investors and expanding the volume of funds, and we will work actively with relevant organizations to enhance the quality of funds as investment targets.

#### 2) Steady promotion of alternative investments by the Government Pension Investment Fund (GPIF)

GPIF has 250 trillion yen in assets under management, but only 1.46% of its investments are in alternative investments (A generic term for alternative investment methods that have different risk-return characteristics from the traditional investment targets such as listed stocks and bonds.). About 90% of its alternative investments are in overseas markets, while only 14 billion yen (less than 1%) is invested in Japanese PE funds and venture capital.

For this reason, we will steadily implement the following measures to raise alternative investments by the GPIF up to the limit (5% of total assets).

- Review of the portfolio
- Development of a system for the sophistication and diversification of operations
- Investment commitments in Japanese PE funds and venture capital as a result
- Upgrading of investment methods through cooperation with other investors
- An annual proper assessment of these efforts

### 3) Sophistication of university fund management

As the large scale university funds overseas which is promoted to active alternative investment, we will take necessary measures to promote active alternative investment, such as the creation of guidelines and operational models for alternative investment in universities' own funds and the promotion of the expression of the asset owner principle.

At the same time, with the aim of becoming an investment model for universities' own funds, we will steadily advance the investment sophistication of the 10 trillion yen university fund that supports universities for international research excellence.

In addition, with a view to expanding the scope of fund management, measures to promote the creation of university funds and increase donations to universities and foundations will be considered.

## **6. Securing industrial land, a bottleneck for domestic investment**

In recent years, the area of industrial land has exceeded that of development, and the supply of industrial land has not kept pace with demand.<sup>22</sup> In order to clarify the domestic investment and location support system within the government, and to promote the establishment of matching projects and the systematic development of industrial sites, the government will consider revising related laws and regulations. We will also work as a whole to develop the necessary infrastructure in anticipation of the progress of GX and DX, such as consideration of the appropriate system of environmental regulations such as soil contamination countermeasures. In addition, the direction of institutional responses for securing industrial land, etc., will be examined, taking into account the progress of GX.

## **7. Corporate governance reform and capital market reform such as organizational design of companies with nominating committees, etc.**

With regard to the organizational design of a company with a nominating committee, etc., in light of the significant increase in the importance of strengthening the nominating function of the Board of Directors in order to strengthen "growth-oriented corporate governance", consideration toward formulating an improvement plan to solve the problems and enacting legislation will be promptly advanced.

In addition, we will work on "enhancement of corporate value and corporate governance" as described in VII.4.

## **IV. Strengthening Startup Development Five-year Plan**

Under the "Startup Development Five-year Plan" formulated in 2022, we set a target of increasing the amount of investment in startups from 800 billion yen at the time to more than 10 times (10 trillion yen) in FY 2027. In the future, we aim to make our country the largest Asian startup hub and one of the world's leading clusters of startups by creating 100 unicorns and 100,000 startups. The three pillars of the plan are 1) building human resources and networks for creating startups, 2) strengthening funding for startups and diversifying exit strategies, and 3) promoting open innovation.

Thanks to these public-private initiatives, the number of startups in our country has increased 1.5 times, from 16,100 in 2021 to 25,000 today, and the range of startups is expanding. With a view to spreading this trend throughout Japan, we will boldly work to create startups in rural areas, such as strengthening the functions of Startup Cities.

On the other hand, investment in startups decreased from 882.7 billion yen in 2021 to 779.3 billion yen in 2024. Against the backdrop of heightened geopolitical risks and other factors,

the amount of venture capital funding has decreased internationally and major overseas countries have significantly reduced their investment. Although the rate of decrease in our country is relatively small, we will drastically strengthen measures to support the growth of startups on a scale after they are founded in order to achieve the goals set out in the Startup Development Five-year Plan. The remaining two years in the "Startup Development Five-year Plan" will be the decisive turning point for creating and nurturing startups in our country. While sharing a sense of crisis with startups, financial institutions, universities, etc., we will further build momentum. From this perspective, we will strengthen the "Startup Development Five-year Plan" and steadily implement it.

In addition, public-private partnerships, such as public procurement, need to be advanced in order for excellent technologies from startups working on commercialization in frontier areas to be implemented in society. In the field of business related to social issues, there are specific issues such as "the market size of municipalities is small," "coordination with public institutions is troublesome," and "returns are thought to be small." Therefore, we will further consider the development of an environment in which startups can play an active role.

Overseas expansion by startups can contribute to solving social challenges in each country, in course of their new business development. Related ministries and agencies will work together to enrich the supporting measures.

<b>1. Building human resources and networks, including the creation of startups in rural areas</b>
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In terms of both number and investment, our country's startups are concentrated in Tokyo, which is home to VCs and large companies<sup>23</sup>. In addition to creating and fostering startups originating from colleges of technology (KOSEN) across the country that can play a role in solving regional issues, we will strengthen the functions of Startup Cities that take advantage of regional university and industrial clusters, and provide support for impact startups.

**1) Building a nationwide startup ecosystem from colleges of technology (KOSEN)**

The nation's 58 colleges of technology (KOSEN) have contributed to solving regional problems and upgrading regional economies in cooperation with local businesses. In order to dramatically scale up the potential of these colleges of technology (KOSEN) and expand the base of business startups nationwide, we will enhance entrepreneurship education at colleges of technology (KOSEN) and strengthen support for the creation and growth of startups originating from colleges of technology (KOSEN) and build an ecosystem of startups originating from colleges of technology (KOSEN) in each region.

Concretely, the project will expand nationwide such initiatives as holding lectures and seminars for colleges of technology (KOSEN) students by outside experts, such as those with experience in startups, supporters, and researchers; fostering entrepreneurs through social implementation education and the use of entrepreneurship workshops that work closely with local SMEs to solve regional issues; and providing advice and mentoring to prospective entrepreneurs by outside experts at the Deep Learning Contest (DCON) and other pilot schools for entrepreneurship education run by the National Institute of Technology.

Furthermore, efforts to solve problems faced by local SMEs with the creativity and technological capabilities of colleges of technology (KOSEN) students and startups from colleges of technology (KOSEN) will lead to productivity improvements and open innovation for local SMEs through the use of AI and other cutting-edge technologies, while at the same time securing opportunities for colleges of technology (KOSEN) students to practice solving local problems and sales opportunities for startups from colleges of technology (KOSEN). For this reason, we will promote such efforts by utilizing government support measures for SMEs,

such as custom-made (general type) labor-saving investment subsidies, in cooperation with relevant ministries and agencies.

## 2) Promotion of the Global Startup Campus Initiative

With regard to the Global Startup Campus Initiative, in accordance with the Basic Policy, in order to become a catalyst for attracting excellent human resources and investment from around the world, we will promote proactive initiatives such as international research, support for commercialization, and human resource development in cooperation with overseas universities, etc., and will steadily promote initiatives to materialize, including the necessary legal measures for the establishment of an operating corporation, and to develop a flagship base that attracts the world.

## 3) Strengthening functions of Startup Cities

With regard to Startup Cities, which can serve as wide-area bases as nodes between the global startup ecosystem and regional economic zones, the number of base cities will be expanded from the current 8 cities nationwide to 13 cities, and the functions of Startup Cities will be strengthened strategically, such as strengthening initiatives that take advantage of the characteristics of local universities and industrial clusters, building and strengthening connections with global networks, setting startup procurement targets by the local governments of the base cities, and enhancing incubation facilities (support facilities that integrally provide experimental facilities, offices, management support, etc., to entrepreneurs before and after startup) at universities in the base cities.

With regard to entrepreneurship education for elementary, junior high and high school students, university students, and doctoral students nationwide, the current number of 26,000 students will be drastically expanded, and the quality of education will be improved through such measures as enhancing overseas dispatch. In addition, with a view to broadening the base of entrepreneurs in the future, we will strengthen the business of dispatching entrepreneurs to elementary, junior high and high school students in particular.

For university startups, support for post-startup growth will be strengthened through open innovation with business companies that make the most of the hub function of universities and expansion of investment in university startups.

## 4) Support for impact startups (social entrepreneurs)

For impact startups, which play an important role in solving social issues, we will steadily and swiftly implement comprehensive support (support packages) for impact startups, such as organizing the data and indicators necessary for measuring and managing the impact of impact investments (investments intended for the impact of solving social issues in addition to financial returns), establishing practical investment and financing methods for creating impact, and supporting the formation of an impact investment market by promoting public-private partnerships with local governments and procurement.

In addition, the government will consider introducing a Japanese DAF system, in which investors donate stocks to raise profits.

# **2. Strengthening funding and diversifying exit strategies**

The size of investment contracts in private venture capital by public and private funds has increased 1.4 times from 430 billion yen before the formulation of the 5 year plan to 600 billion yen. On the other hand, the number of unicorn companies in our country is currently only 8, and there are still issues regarding the post-establishment business growth of startups in our country. At the same time, it is an important issue for the Japanese economy as a whole to

create a system in which funds flow to venture capital and private equity funds in Japan and then to growth industries.

In light of this, we will drastically strengthen support for the growth of established startups, including strengthening the provision of funds to deep tech startups<sup>24</sup> that are expected to grow exponentially by leveraging our country's technological strengths and expanding government procurement. In addition, by equally footing the investment environment including various systems, domestic and foreign investors will attract investment in domestic venture capital and startups and achieve substantial growth.

1) Strengthening funding for deep tech startups (Startups that require long-term R&D and massive funding)

Deep tech startups, which are expected to grow exponentially, may require more than 10 billion yen in capital to start mass production.

In order to strengthen the provision of public and private funds to deep tech startups, in addition to providing growth funds from startup to commercialization and promoting the provision of private funds, in order to enable large-scale financing through venture debt (A funding method that is both capital and liability in nature, such as supplementing financing risk by issuing share options, etc.), we will newly consider making deep tech startups that have been listed subject to the debt guarantee system of the Organization for Small & Medium Enterprises and Regional Innovation.

We will also consider strengthening support for startups working on strategically important technologies and fields, taking into account Japan's industrial strengths, such as plant factories that combine greenhouse horticulture and industry.

2) Consideration of goodwill accounting under the Japanese accounting standards

We will support the Japanese accounting standard-setting body's discussion, including consideration process, over the goodwill accounting under the Japanese accounting standards, by taking into account opinions from those involved in startups, from the perspective of promoting M&A related to startups. The discussion considers various approaches, including the approaches proposed by startups such as reclassification of goodwill amortization expense from operating expense to non-operating expense for the short-term measure, and non-amortization of goodwill as a medium-term measure.

3) Review of the Growth Market of the Tokyo Stock Exchange

With regard to the "Growth Market" of the Tokyo Stock Exchange (TSE), the TSE will promptly promote initiatives to further enhance the functions of the Growth Market, such as encouraging listed companies to engage in "management aimed at high growth," including close communication and accompanying support, such as disseminating viewpoints and good practices for achieving high growth and promoting dialogue with institutional investors, and promoting IPOs with a view to achieving high growth after listing.

In addition to these efforts, the TSE will promptly revise the Continued Listing Criteria on the Growth Market from the current "Market capitalization of 4 billion yen or more after 10 years from initial listing" to the "Market capitalization of 10 billion yen or more after 5 years from initial listing" in order to encourage listed companies to grow to a scale that can be invested by institutional investors. In doing so, some startups have expressed concern about the impact on exits, and the TSE will take measures to mitigate drastic changes, such as ensuring a sufficient run-up period, while also taking into account the impact on listed companies and startups that intend to list in the future, and to allow companies that may be affected to reclassify into the Standard Market. In addition, in order not to hinder the development of startups, we will strongly promote provision of cross-over growth funds,

M&A, carve-out and spin-off, and will create and activate platforms to facilitate secondary transactions of unlisted stocks. In addition, the TSE will provide seamless support to the growth of startups from unlisted to post-listed, including the formulation of guidance (points for action, etc.) for listed companies on the Growth Market to promote management reforms aimed at achieving high growth so that startups after listing will grow to a “Market capitalization of 10 billion yen or more”.

#### 4) Development of environment for expansion of secondary market

In order to expand the pool of investors who engage in secondary transactions (Trading of shares, etc., once issued and purchased by investors such as venture capitalists, among other investors), a transaction environment comparable to that in the United States will be realized by broadening the base of investors who invest in startups through disseminating the fact that the requirements for transitioning to professional investors (such as "specific knowledge and experience") have been clarified.

#### 5) Examining the issues of status of residence such as Startup Visa

We will reexamine institutional and livelihood issues to attract foreign entrepreneurs and investors to our country, including the status of the use of Startup Visa (Foreign Entrepreneurial Activities Promotion Project), which grant foreign nationals who are considering starting a business in Japan the status of residence for up to two years. If there are any points that require improvement, such as speeding up the screening process by utilizing DX and drastically strengthening the screening system, we will take immediate action.

In particular, we will further promote the use of Startup Visa for entrepreneurs, and will consider expanding the scope and promoting the use of Engineer Visa for startups, etc. (the Project to Promote Employment of Foreign Engineer in National Strategic Special Zones), with a view to review the system to make it more user-friendly based on needs.

#### 6) Fostering young investors to provide capital to startups

In order to create Japanese venture capital firms that can play an active role on a global scale, J-StarX which is a program overseas posting only for entrepreneurs till now will launch a program for investors in earnest in order to improve networking and investment skills in countries around the world.

#### 7) Measures to achieve global standards in investment practices of venture capital

In order to ensure that funds from domestic and foreign institutional investors are smoothly supplied to venture capital firms, we will disseminate the "Venture Capitals: Recommendations and Hopes, VCRHs" (Provisions on fiduciary responsibility, management of conflicts of interest between General Partner (GP) and Limited Partner (LP), provision of information, etc.) through seminars for venture capital firms and other occasions for improving the governance of venture capital firms seeking to raise funds from a wide range of domestic and foreign institutional investors.

By this summer, we will revise and publish "Key Points of Attention for Contracts for Sound Venture Investment in our country" by comparing investment contract practices and governance methods in Japan and the United States, etc., with the aim of realizing more appropriate contracts between startups and investors, so that appropriate contract practices are conducted in light of global standards for investors.

With a view to accelerating the supply of growth funds to startups, we will examine necessary measures regarding tax, including the special provisions for taxation on foreign partners of overseas investors (special treatment of the Permanent Establishment (PE)), as there are opinions that it constitutes a barrier to investment in domestic venture capital, while taking

into account the circumstances in other countries.

In addition, in order to support overseas investors in their studies, exploration, and implementation of investment in Japanese startups, JETRO and other organizations will form a framework and consider incentives necessary to attract overseas investment.

### **3. Promotion of open innovation and procurement**

We will promote the development of an environment for open innovation in which large companies collaborate with startups and expand government procurement to support initial demand from startups.

#### **1) Promotion of utilization of open innovation promotion tax system**

Regarding the open innovation promotion tax system, when domestic business companies or corporate venture capital firms invest in startups, 25% of the acquisition price is deducted from taxable income, now is the important timing for whether the startup ecosystem can be expanded or not. In order to promote open innovation, including M&A with startups, we will promote M&A and investment for diversification of exits and further growth of startups, with fully recognizing that diversification of exits, especially promotion of M&A, is a matter of high priority in the timing of reviewing Continued Listing Criteria for Growth Market, and taking into account issues such as scrutiny of utilization records, policy needs and convenience.

#### **2) Promoting procurement and purchasing from startups by large companies**

We will promote the strategic use of procurement and purchasing, as well as joint research and investment, as a method for large companies to promote open innovation with startups.

#### **3) Increasing government procurement for startups**

In the procurement contracts of national government and independent administrative corporations, the amount of procurement contracts from SMEs that have been in business for less than 10 years has approximately doubled from 77.7 billion yen in FY 2020 to 152.6 billion yen in FY 2023, but the ratio of such contracts to the total amount remains at 1.39%. Therefore, we will further expand procurement from startups by enhancing SBIR in each field and supporting social implementation after SBIR, and will promptly expand the scale of government procurement in order to achieve the target of 3% or more of contracts as stipulated in the Basic Policy based on the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise. In addition, in order to expand procurement by local governments, from the perspective of reducing the fiscal burden, incentives such as the use of “New Regional Economies and Living Environments Creation Grant” will be strengthened. In addition, procurement from startups by local governments will be expanded by promoting initiatives in line with the basic policy based on Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise, which aims to achieve the target of 3% or more of the national government's contracts with SMEs that have been in business for less than 10 years, and by spreading examples of startup procurement by local governments laterally. At the same time, the expansion of wide-area and joint procurement will be promoted.

#### **4) Fostering healthcare startups**

##### **i) Open innovation ecosystem as a base (Promotion of HX base)**

Consideration will be given to the development of a sustainable drug discovery infrastructure through public-private collaboration, the demonstration infrastructure for the development of medical devices, the construction of a system to support the practical



application of promising seeds, and the securing of human resources to accelerate innovation and strengthen industrial competitiveness. In addition to promoting initiatives related to Healthcare Startup Social Implementation Promotion Hub, innovation creation and commercialization will be promoted through cooperation between startups and existing companies that are responsible for global expansion, promotion of initiatives with an eye toward international expansion such as the U.S. market from an early stage, and expansion of support for clinical trials.

ii) Establishment of a centralized consultation service, enhancement of accompanying support, and establishment of CARISO

Steadily implement the 25 final recommendations of the White Paper on Strengthening Japan's Healthcare Startup Ecosystem compiled in June 2024. Specifically, we will promote initiatives to assist healthcare startup consultation desks (MEDISO/InnoHub). In addition, the necessary systems will be secured, such as securing human resources necessary for early support with a view to future overseas expansion and cooperation with overseas venture capital firms. Continue dispatching personnel to overseas acceleration programs. In addition, personnel capable of providing consultations on local medical and pharmaceutical systems and business development will be assigned to major countries and regions.

In addition, referring to MEDISO, the CARE Innovation Support Office (CARISO) will be established at an early stage as a centralized consultation window to support long-term care tech startups, and comprehensive support will be provided for issues at each stage of long-term care technology from R&D to launch. We will collect feedback from a startup perspective on such support functions and build a mechanism to continuously improve them.

iii) Support for startups and incubation functions

We will promote an overseas development support program that enables Japanese incubators to acquire know-how and networks from overseas incubators, and attract overseas venture capital firms. Support the introduction and overseas expansion of healthcare startup products and services in the medical and long-term care fields. Efforts will be made to ease constraints that hinder the development and commercialization of startup products from the perspective of providing users with new options.

5) Further promotion of environmental startups

In promoting environmental startups, we will identify specific social and technological issues (demand) to achieve policy goals, while seeking integration and synergies not only in terms of net zero but also in terms of the circular economy, nature-positive, and adaptation to climate change, and present the direction that environmental startups should take.

In addition, we will seek to create demand for environmental startups through the use of the Act on Promoting Green Procurement and reverse pitches. We will also consider cooperation with the Global Startup Campus Initiative, which is being materialized with reference to the efforts of the Advanced Research Projects Agency-Energy (ARPA-E) in the United States, and continuous financial support for SBIR subsidies, including the stages of commercialization and mass production.

## **V. Strengthening science, technology and innovation**

To date, efforts have been made to strengthen science, technology, and innovation based on the three pillars of 1) strategic promotion of cutting-edge science and technology, 2)

strengthening of knowledge infrastructure (research capabilities) and human resource development, and 3) formation of an innovation ecosystem. A variety of public and private initiatives have made progress.

On the other hand, compared with other countries, there are issues that basic research capabilities at universities and colleges have declined, and companies have also been unable to conduct effective research and development.<sup>25</sup> In addition, the international situation surrounding science, technology and innovation is changing. Basic research and business are becoming closer, and new technologies are emerging that can affect the international power balance and change not only the industrial structure but also the social and employment structure. In light of this situation, it is necessary to strengthen efforts to further enhance our country's capabilities from basic research to innovation, and to ensure an internationally competitive environment for innovation.

Toward the formulation of the Seventh Basic Plan for Science, Technology and Innovation, based on the progress and evaluation of efforts to date, and bearing in mind cooperation with economic security, in addition to the enhancement of basic research, we will identify and support technology areas that our country should focus on, and consider how R&D investment should be made by the public and private sectors. In doing so, we will also consider strengthening governance in science, technology and innovation policies in order to improve our country's science, technology and innovation capabilities.

### **1. Integrated support for strategically important technological areas centered on enhancing industrial competitiveness**

From the perspective of improving the industrial competitiveness of Japanese companies through research and development, while each country will identify strategically important technological areas and implement policies through incentive systems such as budgets and tax systems, including human resource development, research and development, the formation of bases such as growing universities, capital investment, the development of startups, and rule-making, we will strengthen efforts to induce innovation in strategically important technological areas in our country.

For this purpose, in addition to expanding corporate R&D investment in critical technology areas, strengthening cooperation between companies and key R&D centers such as universities, and promoting the use of doctoral human resources, etc., in order to ensure a competitive environment for innovation location that is comparable to that of other countries, we will review the measures that have been implemented so far, and consider various incentives through tax systems such as the R&D tax system.

In order to promote The New International Standards Strategy within this fiscal year, a headquarters will be established between the public and private sectors to reform the awareness and behavior of industry, academia, and the government. In strategically important domains and fields, standardization strategies will be formulated, standards will be developed, and negotiations will be advanced under the government's leadership, and the domestic testing and certification infrastructure will be strengthened.

### **2. Establishment of an ecosystem to commercialize the results of basic research in Japan**

As for the industrial ecosystem, Europe and the United States have broadly developed an ecosystem from basic research to industrialization, which has attracted other countries. In Japan, as in Europe and the United States, efforts are being made to foster an industrial ecosystem from basic research to industrialization and to rotate the cycle. In particular, we will work to establish a manufacturing base that can serve as a starting point for ecosystem circulation with an eye to overseas markets.

For example, in the field of drug discovery, efforts will be made to establish domestic CDMO bases, which are also called TSMCs for biopharmaceuticals. Consider creating incentives that lead to domestic production or encouraging domestic production. In addition, we will promote the domestic production of biopharmaceuticals and the construction and use of domestic supply chains to ensure a stable supply of pharmaceuticals. In addition, research and development of regenerative medicine, cell therapy, gene therapy, and Medical Countermeasures, as well as development of production systems, will be undertaken.

In addition, not only in the field of drug discovery, but also utilizing Japan's strengths in the supply chain, human resources, etc., such as quantum computer manufacturing facilities, the construction of an ecosystem including contract manufacturing facilities of Contract Development and Manufacturing Organization (CDMO) will be considered in a wide range of important industries. Based on the establishment of public-private industrialization councils such as the Quantum Strategic industry Alliance for Revolution (Q-STAR) for quantum and the Japan Fusion Energy Council (J-Fusion) for fusion energy, we will focus on the formation of an industrial ecosystem by making the most of these frameworks.

At the same time, we will continue to expand our domestic bases and strategically capture Asian demand by establishing a domestic manufacturing base that does not rely on imports and winning in each market block in Asia, Southeast Asia, India, etc.

A cluster originating from a CDMO site will take approximately 10 years to launch and 15 years to complete. In light of this, we will promote measures to improve the environment, including the budget and tax system, and promote integrated measures for exports through regional industrial clusters.

In addition, since the development of such a large base will require a large number of human resources with knowledge and experience in the relevant field, in conjunction with the development of manufacturing bases, efforts will be made to reskill human resources who have already learned basic knowledge at universities and develop them into human resources specialized in such industrial fields.

### **3. Realization of a virtuous cycle of advanced research and education at universities and other institutions and strategic investment**

The basic research capabilities of universities and colleges in our country are relatively weak compared to G7 and Asian countries, as seen in <sup>26</sup>the decline in the ratio for adjusted top 10% papers in citation counts. Research and development at universities, national research and development agencies, etc., which will be the foundation of research capabilities supporting innovation, will be studied.

#### **1) University fund support and support for regional core and distinctive research universities**

In order to realize the world's highest level of research universities, we will proceed with the selection of Universities for International Research Excellence to be supported by a university fund of 10 trillion yen through the second phase of public solicitation, aiming to start the subsidy within FY 2025. In addition, we will support ambitious and diverse universities, by fully demonstrating their respective strengths and characteristics, to work for the economic and social development of local regions, the resolution of domestic and overseas issues, and the diversified international development of research. In addition, we will promote the strategic development, sharing, and upgrading of advanced research facilities and equipment at research universities and inter-university research institute corporations (institutions that provide large-scale facilities and equipment that cannot be developed by individual universities to researchers nationwide), and innovate scientific research through fostering technical experts, strengthening of the information infrastructure, and AI for Science.

2) Strengthening support and development of young researchers

From the perspective of supporting and fostering young researchers, we will strengthen opportunities for overseas study, such as obtaining doctoral degrees and sending researchers to international academic societies. At universities that are the core of research activities in our country, we will promote personnel and salary management reforms and governance reforms to foster young researchers and secure positions. In addition, we will actively expand support for challenging, international, and emergent research, mainly by young researchers, and expand support for international joint research.

3) Establishment of international talent mobility and circulation

While accelerating strategic leading-edge joint research with like-minded countries such as the G7 and countries of the Global South including ASEAN and India, we will develop posts and research environments that conform to global standards. In light of recent changes in the global situation, through efforts including emergency measures, we will actively attract researchers from overseas research institutes and establish an international talent mobility and circulation in which outstanding researchers come to Japan from around the world.

4) Strengthening cooperation between economic security policy and science, technology and innovation policy

With the emergence of quantum technologies, fusion energy, and other emerging technologies that could affect the power balance of the international community in the future, we will strengthen the cooperation between economic security policies and science, technology, and innovation policies by ensuring research security and integrity, promoting research and development of key technologies, and promoting global strategies etc.

5) Securing basic and competitive research expenses integrated with strengthening governance

In addition to the flexible allocation of funds to realize the strategies of universities and other research institutes and the implementation of reforms in personnel and salary management, basic expenses such as grants for operating expenses will be secured in order to explore the frontiers of science and strengthen our country's research capabilities in light of recent increases in prices and personnel costs. In addition, in order to further strengthen research capabilities through the enhancement of competitive research funding such as Grants-in-Aid for Scientific Research, we will consider how to provide support.

<b>4. Overseas expansion of digital-related services</b>
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Japan's digital-related balance (Total amount of royalties for professional and management consulting services, computer services, and copyrights in the Balance of Payments Statistics) shows that while payments have increased by 7.6 trillion yen over the past 10 years, receipts have only increased by 2.9 trillion yen. As digital-related markets such as AI are expanding globally, our country is also seeing examples of overseas expansion in the field of AI services and digitized contents, and we will further promote overseas expansion of these digital-related services. To this end, the government as a whole will strategically and comprehensively consider and implement measures through the relevant ministerial conferences.

In order to quickly establish an industrial property rights system in line with the AI/DX era, we will further consider issues such as reasonable rules for using AI in R&D and business with peace of mind, protection of inventions related to international data utilization, and design protection in virtual spaces.

## **5. Strengthening initiatives in advanced science and technology fields and developing frontiers**

### **(1) Quantum technology**

Quantum technology has the potential to bring about disruptive innovation in society based on a different principle from existing technology. Quantum technology is one of the most important advanced technologies that our country must possess in order to ensure industrial competitiveness and autonomy and indispensability in terms of economic security. Although international competition is intensifying, our country has technological superiority in quantum computers, quantum cryptography, and quantum sensing, and is expected to be implemented in society at an early date. In order to ensure that our country will not fail to establish an international platform standard due to a delay in industrialization despite its technological superiority, the government, industry, and academia will mobilize our combined efforts to achieve a "Quantum-Ready" Japan by building a solid domestic foundation for the creation of a quantum industry while maintaining our country's technological superiority in quantum technology, and accelerating the expansion of private investment and market creation.

For this purpose, we will establish a flagship project that will bring together the collective capabilities of the Quantum Innovation Hubs (QIH) group to move quantum computers from the R&D stage to the social implementation stage. We will also create use cases and build business models related to quantum computers and quantum cryptography by expanding the use of AIST G-QuAT, upgrading and expanding the Tokyo QKD Network of the National Institute of Information and Communications Technology, and utilizing testbeds. We will also accelerate studies to stimulate initial demand throughout the government. In addition, the Government will strengthen incentive measures to increase R&D investment from companies, accelerate the development of small and medium-sized enterprises (SMEs) working to establish supply chains, promote the participation and creation of startups, and expand the use of demonstration projects, thereby creating global players that will drive social implementation. In addition, in addition to vigorously promoting international strategies such as international standardization activities aimed at achieving global standards, we will establish key core technologies for domestic quantum computers, promote research and development of innovative quantum communication technologies, strengthen research and development capabilities through cooperation with quantum sensing centers, and explore use cases. We will accelerate the development of advanced technologies to open up the future market, and work to develop and secure human resources who will play a key role in the future of the quantum industry.

### **(2) Fusion energy**

We will make maximum use of the knowledge of ITER/BA activities and emerging technologies, promote QST and other innovation centers, and build a fusion industry ecosystem. In particular, based on the new national strategy, with the aim of power generation demonstration in the 2030s, we will consider how to promote social implementation, such as the role of implementing entities and how to select sites. In addition, we will secure a fund supply equivalent to that of other countries, and in parallel with the development of DEMO reactors such as engineering design, the government will encourage the challenge of various types of systems, including tokamak, helical, and laser.

### **(3) Materials field**

Based on the new national strategy to ensure Japan remains globally competitive by building a "Knowledge Value Chain" that connects the excellent knowledge of academia with industry

in the materials field, strong efforts will be made to promote Materials DX through integration with AI, robotics, etc., accelerate R&D and social implementation of innovative materials, develop research infrastructure such as advanced shared facilities, and foster human resources developments.

The large-scale synchrotron radiation facilities SPring-8 (RIKEN) and NanoTerasu (QST) will be developed, utilized, and upgraded.

#### **(4) Space**

In order to increase the added value of earth observation and satellite communications, which also contribute to disaster management, mitigation, national resilience, and security, we will build constellations, develop and demonstrate next-generation technologies, and proactively procure satellite data under public-private partnerships. We will also promote the development of information-gathering satellites and next-generation geostationary meteorological satellites.

In order to strengthen domestic launch capabilities, we will promote the advancement and frequency of mainstay launch vehicle and advance the development of rockets by private companies. In addition, development of new space transportation systems including the next mainstay launch vehicle will be advanced. In addition, the government aims to submit a bill to revise the Act on Launching Spacecraft and Launch Vehicle and Control of Spacecraft to the next ordinary Diet session in order to enable new space transportation by private companies, such as manned and suborbital flights.

In addition to enhancing low-Earth orbit activities that contribute to Japan-U.S. space cooperation, we will promote the development of crewed pressurized rovers for the Artemis program in preparation for the landing of Japanese astronauts on the moon. Additionally, research and development on exploration beyond the moon and Mars and planetary defense will be advanced. In addition, Japan Aerospace Exploration Agency will strengthen its technical infrastructure and human resources as a core organization for space development.

The Quasi-Zenith Satellite System that enables more precise positioning without relying on the GPS of other countries will be constructed with 7 satellites, and development will proceed toward a system of 11 satellites.

In order to accelerate private sector investment and space demonstration, and to promote the acquisition and utilization of unique technologies and industrial clusters that will lead to the international competitiveness of regions and startups, the government will aim to promptly increase the Space Strategy Fund to 1 trillion yen. In addition, we will secure medium- to long-term government procurement and promote the business development of startups.

#### **(5) Oceans**

Based on Ocean Development Strategy, we will steadily promote key missions such as demonstration of the use of Autonomous Underwater Vehicles in cooperation with peripheral technologies, promotion of the use of ocean information in the industrial field, upgrading of ocean situational awareness systems using satellite data and AI analysis technology, and research for overseas collaboration, research and development for rare earth production in the waters around Minamitorishima Island, and ensuring the building and the steady construction of the Arctic research vessel Mirai II, which will become an international research platform after its entry into operation.

In order to secure domestic marine resources, the Headquarters for Ocean Policy and the National Ocean Policy Secretariat will drastically strengthen their command functions, and will conduct surveys, technological development, and demonstration of methane hydrate, manganese nodules, rare earth mud, etc., to support social implementation and

industrialization.

In addition to advancing the development of hadal unmanned research vehicles with a view to their utilization for marine life surveys and marine resource development, we will conduct a study on the ideal form of a mother ship equipped with functions as an exploration and sampling platform for deep sea and trench areas.

From the perspective of supporting the economy, livelihoods, and economic security, it is essential to revitalize Japan's shipbuilding industry and strengthen the resilience of the maritime cluster centered on the shipping and shipbuilding industries by improving environmental and autonomous navigation technologies. To this end, efforts will be made to secure maritime human resources, such as significantly strengthening the maritime supply chain, including Japan-U.S. cooperation, promoting the introduction of zero-emission ships by utilizing GX Economy Transition Bonds, strengthening the competitiveness of Japanese ship owners by reducing the cost of owning Japanese-flagged ships, realizing commercial maritime autonomous surface ships, stable transportation by coastal shipping and passenger ships, and securing shipbuilding human resources by utilizing "New Regional Economies and Living Environments Creation Grant".

#### **(6) Health and medical care**

1) Promotion of research and development of biopharmaceuticals, regenerative medicine, cell therapy, and gene therapy.

Based on the global trend of R&D, we will strive to create an R&D environment with international standards that continuously creates seeds originated in our country and promptly puts them into practical use.

Specifically, R&D and infrastructure development for regenerative medicine and cell therapy including those using iPS cells, and gene therapy, development of production systems for biopharmaceuticals manufactured using microorganisms or cells, such as antibody drugs and regenerative medicine products, and development of manufacturing human resources will be undertaken. In addition, we will develop an internationally competitive system for conducting FIH (First in Human) studies, which are the first clinical trials of innovative drug candidates to be administered to humans, as well as bases with research facilities. We will also provide a One-Stop Service Platform (OSSP) for global biotech, offering consultation and support for the implementation of clinical trials in Japan by overseas startups and pharmaceutical companies. This platform will function as a centralized service to attract and facilitate the conduct of clinical trials in Japan. In addition, we will develop investigational drug manufacturing facilities, promote multi-regional clinical trials led by Japan, and establish a project implementation organization to promote whole genome analysis of patients with cancer or rare/intractable diseases by the end of FY 2025. We will also build a high-quality information infrastructure that integrates whole genome data, multi-omics data, and clinical information. Furthermore, we will promote the utilization of genome data which cannot identify a specific individual; however, it is essential to ensure proper handling under strict information management. In addition, in order to reduce operational burdens on medical research sites, including specified clinical trials under the Clinical Trials Act, we will collect opinions from sites and simplify procedures.

i) Strengthening drug discovery capabilities

Positioning the pharmaceutical industry as a key industry in our country, and in order to strengthen drug discovery capabilities, necessary measures will be promoted, including enhancement of incubation functions to support the practical application of drug discovery seeds, in accordance with the interim report of the "Council of the Concept for Early

Prevalence of the Novel Drugs to Patients by Improving Drug Discovery Capabilities" In addition, the Ministry of Health, Labour and Welfare and the Cabinet Office's Health and Medical Strategy Promotion Secretariat, which promotes research and development in the medical field, will further demonstrate and strengthen their control tower function to view the entire pharmaceutical policy through the management of the public-private consultative committee, and take necessary measures to strengthen the system for this purpose. We will promote the construction of a drug discovery AI platform that controls and integrates the entire drug discovery process with multiple AIs. In order to improve the environment for the use of AI, including drug discovery AI, development of AI application technology, database and its utilization system, and improvement of computing resources will be promoted.

ii) Promotion of dementia research

Based on the Basic Act on Dementia to Promote an Inclusive Society to promote the realization of a symbiotic society, we will promote research and development for social implementation that takes into account the perspectives of people with dementia. In addition, we will promote measures for dementia through research and development that will contribute to the elucidation of the pathological mechanisms of neurological disorders such as dementia, the development of research platforms for dementia, and the development of biomarkers and effective treatments for early diagnosis of dementia.

iii) Research and development of Medical Countermeasures (MCM)

By formulating and reviewing development of MCM strategy for vaccines, diagnostics, and therapeutic agents and by supporting consistent research and development from basic science to practical application, we will steadily advance normal times preparations for infectious disease crisis.

2) People's peace of mind and management sustainability: ensuring quality and expanding choices

i) Visualization and improvement of the quality of services related to prevention and health promotion

In order to make it easier for people to choose prevention and health promotion services with peace of mind, and to improve quality and contribute to the formation of a sound market, "visualization of quality" will be promoted, evidence will be compiled by academic societies and private organizations, and a framework for objective certification of service quality by third parties will be promoted. Under this framework, we will promote the active use of high-quality services by insurers.

ii) Provision of diverse services and management sustainability

Based on the premise of stable provision of public health services, under certain conditions, we will review the operations of medical corporations that support local communities and improve the operation of services outside the scope of long-term care insurance, such as long-term care facilities, to ensure the provision of diverse services and the sustainability of management, and as a result, raise the wages of medical and long-term care workers.

Furthermore, as the profitability, wage level, and labor security of small-scale business operators tend to be more severe, and the need for business succession and reorganization has increased in recent years, we will promote related measures (Utilization of business succession tax system, tax benefits under Act on Strengthening Industrial Competitiveness, business succession and M&A subsidies, etc.), active dissemination, utilization, and introduction of good examples of regional medical coordination promotion corporations, which made it possible for individual medical institutions to participate since April last year, and social welfare coordination promotion



corporations, management support by substantially expanding preferential loans provided by the Welfare And Medical Service Agency, implementation of business succession and opening support projects for clinics in priority support areas for measures to address the uneven distribution of doctors, and support for smooth matching between buyers and sellers through cooperation with prefectural business succession and support centers and regional financial institutions.

In addition, for the future development of services related to the elderly and long-term care, we will create and disseminate advanced models for community development through cooperation between local governments and private businesses, and will promote the creation of mechanisms such as incentive design to deepen cooperation between local governments, professionals, and workplaces with providers of services related to the elderly and long-term care.

iii) Improved operation of the system of uninsured concomitant medical care expenses (quick access), etc.

We will expand the scope of the system of uninsured concomitant medical care expenses, which allows the combination of insured and uninsured treatments, so that patients who wish to enable quickly access to cutting-edge medical care (regenerative medicine products, cancer gene panel tests, etc.) for which the efficacy has not been sufficiently evaluated can do so without waiting until they are covered by insurance, while balancing the maintenance of universal health coverage with the promotion of innovation. In addition, we will consider utilizing private insurance from the viewpoint of smooth access and reducing the burden on patients.

At the same time, in view of the recent emergence of private insurance that covers free medical care with a certain level of quality, which has gained a certain reputation, we will promote the development of private insurance that covers a wide range of uninsured medical care and complements universal public health insurance in order to further promote the development of diverse products by private insurance companies from the perspective of reducing the burden on patients and ensuring smooth access. In order to develop a common understanding of the fields entrusted to private insurance as a step before universal public health insurance, which requires sufficient evaluation of its effectiveness, we will promote independent product development efforts by private insurance companies through deepening dialogue with them on the basic understanding (principles) of various systems, such as the system of uninsured concomitant medical care expenses.

In particular, regarding regenerative medical, on the premise of the efficacy and safety equivalent to those of pharmaceutical approval, the government will consider how to implement regenerative medical in advanced medical care, including evaluation of the maturity and diffusion of related medical technologies.

With regard to biosimilars, the ideal form of insurance benefits will be discussed with reference to selective treatment for long-listed products that came into effect in October 2024, so that biosimilars can be used according to patients' wishes while maintaining universal public health insurance.

Furthermore, in order to meet the diverse needs of patients, we will solicit opinions from a wide range of people and medical organizations on cases that should be introduced as selective treatment, and will consider the opinions received in discussions toward the revision of medical fees for FY 2026. In the treatment of diseases, if some of the indications for pharmaceuticals approved by the Minister of Health, Labour and Welfare are not covered by universal public health insurance, based on the application by the marketing authorization holder, a mechanism to promptly apply for elective treatment should be considered.

## **(7) Osaka Kansai Expo**

At the Osaka/Kansai Expo, in addition to demonstrating and disseminating technologies that will help solve social issues, we will work to spread the appeal of Japan throughout the country, attract visitors to regional areas, and provide opportunities for international exchange and business matching, and make these achievements a legacy.

## **VI. Investment in human resources and promotion of active participation of diverse human resources**

Internationally, with the rise of digital technologies such as generative AI, also known as the AI revolution, a trend is emerging in which higher wages are realized in industries and companies with high productivity that make full use of such digital technologies, and workers move there.<sup>27</sup> On the other hand, in our country, the labor market among companies is immature, and the employment system such as the seniority wage system is maintained within companies. Therefore, the price setting signal in the wage market is not established, that is, even for highly productive companies and highly productive workers, their wages remain unchanged, and the wage price mechanism is malfunctioning.

At the same time, while the conventional bottleneck of a vicious cycle of deflation caused by the long-standing cost-cutting economy is dissolving, labor shortages are also becoming a bottleneck for investment to raise productivity. In recent years, the participation of women and the elderly in the workforce has been increasing, but this is approaching its limit. Unless the reform of the employment structure and the industrial structure is carried out in an integrated manner, and if the smooth movement of labor to high-productivity growth industries and enterprises is not realized, there is a problem that the growth of growth industries and enterprises will be hindered by labor shortage.

From the perspective of expanding options for workers and continuously improving wages, as well as from the perspective of continuing growth of companies in a society with limited labor supply, we will accelerate the implementation of the Trinity labor market reform consisting of support for capacity building through reskilling,<sup>28</sup> introduction of job-based personnel,<sup>29</sup> and facilitation of labor mobility.

At the same time, in order to enable workers to have a variety of options based on their own will in a society with limited labor supply, we will conduct a comprehensive review of work style reforms and further promote by-jobs/side-jobs.

### **1. Acceleration of the Trinity labor market reform**

Steadily implement the Trinity labor market reform to make wage increases structurally entrenched in our country.

#### **(1) Support for capacity improvement including reskilling**

Local workers will be able to access a wide range of high-quality career consulting and reskilling courses through the use of online services in addition to face-to-face services. With regard to reskilling support measures such as educational training benefits and vocational training for non-regular workers using the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers, the government will expand online courses and implement online application procedures and career consulting at Hello Work.

In addition, related ministries and agencies will work together to identify issues and develop specific policies for digitizing all matters related to reskilling, such as a mechanism for digitally authenticating skills acquired through reskilling by individual.

For the acquisition of leading-edge knowledge and skills through reskilling of workers (approximately 3,000 or more per year by 2029) and capacity building of local managers (approximately 5,000 by 2029), support will be provided for the development of practical educational programs in cooperation with local governments and industry, led by universities.

## **(2) Introduction of job-based personnel management according to the actual conditions of individual companies and enhancement of information disclosure on human capital**

### **1) Promotion and dissemination of the Job-based personnel management guidelines**

With regard to the "Job-based Personnel Management Guidelines," which were announced in August last year and contain concrete examples from various companies that have adopted them, we will make efforts to disseminate the guidelines through various opportunities such as the Human Capital Management Consortium (a forum for Japanese companies and investors to share advanced examples of human capital management and discuss effective information disclosure) and promote the introduction of job-based personnel management suited to the actual conditions of individual companies.

### **2) Enhancing corporate value through enhanced disclosure of information on human capital**

Human capital is an important factor in achieving corporate strategy and creating value, and disclosure linking management strategy and human resource strategy is useful for investors. Therefore, we will consider enhancing disclosure of human capital in annual securities reports.

At the same time, in order to expand and deepen human capital management throughout the country, we will work to build momentum among local enterprises as well as to revise the Human Capital Visualization Guidelines (guidelines for disclosure items and methods that can be referred to when disclosing information on human capital to the capital market) and enhance information disclosure, including the introduction of job-based personnel management, from the perspective of formulating human resource strategies linked to corporate management strategies and actively investing in human capital.

### **3) Improving work engagement of workers**

In order to enhance "work engagement," which is the sense of satisfaction and job satisfaction of workers, companies will make efforts to share their management vision with employees and disseminate a collection of good examples of improvements in personnel management.

## **(3) Facilitation of labor mobility**

### **1) Visualization and effective provision of information on internal and external skills and wage levels**

We will accelerate efforts to share information on job openings, job applications, and career advancement between the public and private sectors, and to disseminate information to career consultants and job seekers in an easy-to-understand manner, so that individual workers can understand the supply and demand trends of jobs both inside and outside the company and the skills and wage levels they need to acquire by reskilling<sup>30</sup>. First, with regard to the project started last fiscal year to collect and analyze job postings at the Ministry of Health, Labour and Welfare, the target areas and types of jobs will be expanded, as well as the relationship between wages and the presence of experience and qualifications will be analyzed, and the results of

these analyses will be disseminated through government platforms, such as the occupational information website (“job tag”).

The Ministry of Health, Labour and Welfare will enhance the contents and usability of the workplace information website (“Shokubarabo”) and occupational information website (“job tag”), and create a one-stop platform for individual workers to access information posted on these sites.

Through these platforms, we will also work to improve the labor market so that hiring experienced workers becomes a common option for companies of all sizes.

## 2) Strengthening the advisory function of Hello Work to enable workers to foresee their future careers

The system of staff at Hello Work will be strengthened, including the provision of training on career consultant qualifications and reskilling in the fields of IT and long-term care.

In addition, for smooth career consulting, in parallel with the use of the Ministry of Health, Labour and Welfare's new labor market data platform, AI will be utilized in Hello Work's Internet service, and the strengthening of Hello Work's information and advisory functions that contribute to individual career choices will be accelerated.

In addition, support for career planning, including reskilling, will be strengthened for middle-aged and elderly people in their second careers.

## 3) Establishment of a system for developing executive candidates

As a mechanism for the appointment and development of candidates for executives, so-called C-position, such as Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), etc., a human resource development committee, etc., consisting mainly of the CEO and other internal employees, will be established to encourage companies through guidance to take charge of the appointment and development of candidates for executive positions in cooperation with human resource departments and business departments, etc. In addition, the development of candidates for executive positions will be supported by educational training benefits for a wide range of companies, including medium-sized enterprises, SMEs, and small-scale business operators.

## **2. Promotion of active participation of diverse human resources**

We will promote the active participation of diverse human resources through the promotion of by-jobs/side-jobs, the thorough implementation of the equal work and equal pay system, the overhaul of work style reforms, and the promotion of women's active engagement. For national public employees, the government will promote the flexibility of working hours and places, the strengthening of management, the flexibility of the recruitment process, and the improvement of working conditions, in order to acquire and retain excellent human resources, considering efforts to acquire human resources in private sector (In this regard, the National Personnel Authority (NPA) is considering a review of the size of enterprises that will be subject to salary comparison between the public and private sectors.).

### **(1) Promotion of by-jobs/side-jobs**

By-jobs and side-jobs are significant for workers as they lead to future career planning and startup, and for companies as well, as they lead to innovation at small and medium-sized enterprises by accepting human resources with skills and know-how that are lacking internally<sup>31</sup>. In fact, the number of companies that allow by-jobs/side-jobs is increasing, and there are many people who want by-jobs/side-jobs. However, it is an issue to further expand the number of companies that actively promote by-jobs/side-jobs by systematically allowing

them.<sup>32</sup>

After examining various issues related to by-jobs/side-jobs, the Labor Policy Council will examine and reach a conclusion on the ideal way to manage the total number of working hours related to the payment of extra wages in by-jobs/side-jobs, while maintaining the health of workers.

At the same time, in order to encourage local government employees and teachers to have by-jobs/side-jobs, we will first consider creating a teacher version and a local government employee version of the Ministry of Health, Labour and Welfare's "Guidelines for Promoting By-Jobs/Side-Jobs" for companies, while the current system requires full-time teachers at public schools to obtain permission from the board of education.

## **(2) Improvement of working conditions for non-regular employees, such as enforcement of the equal pay for equal work system**

The enforcement of the equal pay for equal work system, which prohibits unreasonable differences in treatment between regular and non-regular workers, is enforced in principle by the Prefectural Labor Offices, and the Labor Standards Inspection Offices issue inspection requests to companies that have not been adequately addressed and for which the Labor Offices have not provided guidance or advice. From the viewpoint of strengthening the enforcement of the equal pay for equal work system, further utilization of the Labor Standards Inspection Office will be considered.

Although the number of involuntary non-regular workers has been decreasing, there are still around 1.8 million. In order to enable those who wish to become regular employees to quickly convert to regular employment, we will develop an environment in which non-regular employees can study while working and pursue career advancement, and will enhance support for regularization.

## **(3) Comprehensive review of work style reform five years after the enforcement of the Act on the Arrangement of Related Acts to Promote Work Style Reform**

### **1) Understanding and overhaul of the situation five years after the enactment of the Act on the Arrangement of Related Acts to Promote Work Style Reform**

In addition to promoting diverse and flexible working styles with high productivity under a working environment where everyone is healthy, able to exercise their motivation and ability and is comfortable to work, the Labor Policy Council will conduct a comprehensive review five years after the enforcement of the Act on the Arrangement of Related Acts to Promote Work Style Reform and consider revising labor standards legislation based on the actual situation and needs of work styles.

The Labor Policy Council will consider the ideal form of the Part-time/Fixed-term Employment Act, etc., including spreading the idea of the Equal Pay for Equal Work Guidelines to various types of regular employees, such as employees with limited duties, employees with limited work locations, and employees with limited hours, and full-time employees with non-regular employees, who can serve as recipients of the conversion of non-regular employees to regular employees.

### **2) Work Style Reform in the Construction Industry**

In order to realize a sustainable construction industry, the government will improve working conditions by securing and paying necessary expenses such as labor costs using the "Labor Cost Standard," new rules enforced in December 2024 for measures to pass on the rising cost of materials, setting appropriate labor cost for designing public works, and expanding the construction career development system.

In addition, by strengthening the system of the Construction G-men, which conducts on-site inspections of contractors, we will secure treatment and ensure proper transactions.

In addition, we will promote work style reforms, such as the promotion and enlightenment of the regulations on the upper limit of overtime work, promote labor-saving investment, improve the productivity of local construction companies and strengthen their disaster response capabilities through cooperation in other fields, and secure and develop human resources by improving the environment for the active participation of diverse human resources such as women and foreigners.

In addition, in order to secure the future leaders of the construction industry as an attractive industry, it is necessary to correct unreasonable process management and long working hours. Therefore, we will encourage thorough setting of construction periods in consideration of holidays, such as two days off per week, for both public and private construction, in order to improve the working environment. In particular, municipalities that do not implement the two days off per week for construction shall be encouraged to implement it promptly.

### 3) Work style reform in the logistics industry

During the "intensive reform period" of logistics innovation, which ends in FY 2030, we will promote, based on the next term "Comprehensive Logistics Policy Outline," measures such as strengthening the functions of logistics bases and networks, a new modal shift between land, sea, and air, logistics DX and standardization, improving logistics efficiency through greater use of foreign human resources, reviewing business practices, and changing the behavior of shippers and consumers toward fundamental innovations such as optimization of overall logistics, productivity improvement, and automated driving.

In order to improve the acceptance of fair fares and the multiple transaction structure, we will ensure the enforcement system of the Revised Act on the Advancement of Integration and Streaming of Distribution Business, and make efforts to thoroughly inform business operators of the obligation to prepare and report plans for improving logistics efficiency and to disseminate examples of efforts.

Taking the opportunity of the amended Subcontract Act (Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators), further corrective guidance will be provided to consignors and prime contractors suspected of causing violations through the Trucking and Logistics G-Men.

In the case of trucking, we will use the appropriate cost system newly established by the revision of the Motor Truck Transportation Business Act to ensure more robust and reliable price pass-through.

### **(4) Promotion of active participation of women**

Although the pay differences between men and women in our country has been on a long-term downward trend, it remains highly divergent from an international perspective. In light of the enactment of Revised Act on the Promotion of Women's Active Engagement in Professional Life, which expands the scope of the obligation to publicize information on pay differences between men and women to include SMEs with 101 to 300 regularly employees, we will inform SMEs that are newly subject to the obligation to publicize information on the revision of the law and provide support, including enterprises with 100 or fewer regularly employees. At the same time, we will encourage the inclusion of the results of the analysis of the causes of pay difference between men and women in the "explanation column" in order to correct such difference.

In particular, the unconscious bias in rural areas has limited women's opportunities in the workplace and led to an outflow of young women from these areas. To address this issue, the

national government will support local governments that are working to transform their local communities, starting with workstyle and workplace reform in regions, to create local communities where both men and women can feel "job satisfaction" and enjoy "a comfortable work environment" and play an active role. By doing so, as part of the work style and workplace reform of local governments themselves, which are major workplaces in regions, we will also work to improve the treatment of Fiscal year-appointed employees and promote full-time employment through the demonstration of their abilities.

#### **(5) System development for accepting foreign nationals**

We will steadily advance preparations for the start of the Employment-for-Skill-Development Program, including the development of systems for the Employment-for-Skill-Development Organization, and promote the acceptance of human resources with a certain level of expertise and skills through the establishment of subject fields of the Specified Skilled Worker System and the establishment of Japanese language proficiency standards in accordance with the actual conditions of work. It also aims to diversify career paths for foreign employees.

At the same time, with a view to ensuring proper and strict immigration control and residency management, we will develop the Electronic System for Travel Authorization (JESTA) by the end of FY 2028 and will consider utilizing the fees collected from foreign nationals when using this system as a financial resource for policies on foreign nationals.

#### **(6) Expansion of student mobility and internationalization of education**

In order to develop human resources who will drive the growth of our country, we will promote international exchange from the primary and secondary education stages, make strategic use of scholarships for study abroad in cooperation with the public and private sectors, attract diverse and talented international students, and establish them in Japan. In addition, in order to expand student mobility (the integrated promotion of the studying abroad of Japanese students and the acceptance of international students), efforts will be made to build a multicultural learning environment and strengthen interuniversity exchanges with quality assurance.

### **3. Industrial human resources development plan**

Looking at the current situation of the supply of human resources in Japan, for example, the ratio of job offers to graduates of technical high schools and colleges of technology (KOSEN) is 20: 1, meaning that Japan is not able to meet strong labor demand. While the proportion of science and engineering students at universities is small compared with that of other major countries such as Germany, considerable effort is devoted to fostering liberal arts students at four-year universities. There are some opinions that this situation is diverted from the needs of our country's economy and society.

Major changes in the industrial structure are expected to bring about major changes in the employment structure. Specifically, human resource development is required in light of changes in the employment structure in response to changes in the industrial structure, such as 1) the shift to "X manufacturing," which increases added value through DX services, 2) the transformation of the information and communications and professional services industries into growth industries, and 3) the shift to "Advanced Essential Services," which increases added value through labor-saving investment.

Considering this transformation as a national strategy, and taking into account the characteristics of regional industrial structures, we will analyze the needs of industrial human resources, including Advanced Essential Workers (essential workers who earn higher wages than currently available through the use of digital technology, etc.), develop necessary education programs,

and create and accelerate the flow of funding from industry to educational institutions and the creation of joint education programs. In this way, we will formulate the "Industrial Human Resources Development Plan," and the related ministries and agencies will work together on this plan.

1) Clarification of regional human resource needs through industry-academia collaboration and development of collaborative systems for human resource development

Establish a forum to discuss the direction of human resource development measures and cooperation measures among relevant parties, including industry and academia, based on the analysis of changes in human resource demand in each regional block nationwide.

Based on the demand for human resources in the above regions, a "regional concept promotion platform" will be established in each prefecture and other regions to discuss and promote policies for industrial human resource development centered on universities and colleges of technology (KOSEN) in each region among related parties such as industry, academia, government, finance and labor, and will be effectively operated and promoted, including cooperation with upper secondary education reform and recurrent education initiatives.

2) Enhancement of educational programs aimed at fostering industrial human resources at each educational level

In order to enhance educational programs for the development of industrial human resources at the primary and secondary education stage, we will consider within this fiscal year the establishment of a mechanism to promote matching of resources that educational institutions require from industry and those that can be provided by industry while coordinating with both parties.

In order to strengthen the development of human resources that are effectively beneficial to society and industry, the national government will promote the creation of a mechanism to support upper secondary education reforms in accordance with local circumstances which are based on action plans formulated by prefectures themselves through the national government presenting a basic policy. Through the enrichment of exploratory, interdisciplinary, and practical learning, the development of global human resources and human resources in the fields of DX, AI, semiconductor and content industries, the reform of general courses etc., the government will promote characterization and attractiveness of high schools. The government will also promote reforms of high schools, universities, and graduate schools in a consistent manner to enhance their effectiveness. In particular, with regard to vocational high schools, the government will grasp the needs for regional human resource development by utilizing school management councils, etc., and promote the development and dissemination of practical vocational high school management models through the dispatch of human resources from industries (Including support for the establishment of teacher personnel banks.), etc., and support for regional revitalization and develop local human resources based on vocational high schools.

At the colleges of technology (KOSEN) and universities level, the government will promote the reorganization of faculties and departments into growth fields by encouraging collaborative efforts with industry such as financial support from companies and the dispatch or exchange of personnel, including support for the establishment of new colleges of technology (KOSEN) and the implementation of endowed lectures and joint research, through the use of projects such as the "Fund for Strengthening the Functions of Universities and colleges of technology (KOSEN) Driving Growth Fields." In order to develop industrial human resources capable of dealing with technical fields based on the needs of local industries, such as semiconductors, colleges of technology (KOSEN) education will be advanced, and human resource development



utilizing networks of multiple universities and colleges of technology (KOSEN) and industries will be enhanced.

At Professional Training Colleges, we will promptly update the educational content in light of rapid technological changes in the future, and will support the development of recurrent education programs to train Advanced Essential Workers (essential workers who earn higher wages than currently available through the use of digital technology, etc.).

With regard to the development of the Science and Technology Human Resources, we will build a new framework for industry-academia collaboration, develop and secure excellent researchers who can play an active role in industry, engineers who support industry and research infrastructure, R&D management personnel at universities, etc., through joint research in advanced technology fields, and implement measures to expand human investment in an integrated package, such as reforms of related schemes and systems.

For the reskilling of workers, "Support for capacity improvement including reskilling" mentioned in VI.1. (1) shall be taken. In the area of entrepreneurship education, the Government will work on "Strengthening functions of Startup Ecosystem Base Cities" as described in IV.1 3). With regard to the disclosure of information on human capital, we will take measures to "Enhancing corporate value through enhanced disclosure of information on human capital" as stated in VI.1. (2) 2).

### 3) Provision of funds from industry to educational institutions and promotion of joint program development

In order to strengthen the flow of funds from industry for the development of human resources in regions that are essential for regional revitalization, we will strengthen matching support between local governments and companies to promote the use of the corporate version of hometown tax payment, which is an important method of public-private partnership, as well as streamline the procedures for companies to donate to funds for the enhancement of educational research at universities and other institutions and strengthen measures to encourage companies to contribute to educational activities at local schools.

With regard to the establishment approval procedures for the establishment of new faculties and departments in cooperation with industry, in order to make it easier to hire professional teachers, specific measures will be considered for prompt and smooth examination in the establishment approval procedures, such as adding people with experience in the private sector to the examination system and improving the examination of teacher qualifications.

In order to enhance entrepreneurship education at colleges of technology (KOSEN), the government will promote lectures and seminars for colleges of technology (KOSEN) students by outside experts such as people with startup experience, supporters, and researchers, foster entrepreneurs through social implementation education and entrepreneurship workshops that work together with local SMEs to solve local issues, and promote the Deep Learning Contest (DCON). In addition, in order to create and foster start-ups from colleges of technology (KOSEN), we will promote initiatives such as advice and mentoring for prospective entrepreneurs by external experts at entrepreneurship education pilot schools by the National Institute of Technology and other organizations, and will build an online platform for nationwide deployment of such initiatives. In addition, while promoting the use of the government's support measures for SMEs, the government will promote initiatives to solve the problems faced by local SMEs through the use of digital technologies such as AI and the creativity of colleges of technology (KOSEN) students and start-ups from colleges of technology (KOSEN), in cooperation with relevant ministries and agencies.

In order to secure highly skilled human resources to support innovation, including engineers, etc., we will promote the attraction of highly skilled foreign human resources by providing internship opportunities in Japan for overseas students in cutting-edge fields and holding job

fairs in Asian countries. We will also accelerate human resource exchanges between industry and academia and between large companies and startups in order to accelerate innovation based on diverse experiences.

In addition to developing an environment that makes it easy for private companies to hire human resources with doctoral degrees, we will promote the active participation of human resources with doctoral degrees through industry-academia-government cooperation by supporting corporate researchers to advance to doctoral programs. The revision of the industry-academia cooperation guidelines will be examined in order to organize issues and develop case studies to promote personnel exchanges between industry and academia.

In the implementation of this plan, in order to facilitate the flow of corporate funds to local universities and colleges of technology (KOSEN), we will take into account the perspective of corporate managers, and instead of donating to universities and colleges of technology (KOSEN) and entrusting the contents of their education to them, we will work to create cases in which, as in the case of JV, we conduct not only joint education and joint research, but also the management of undergraduate departments, etc., as a joint venture.

In addition, under the so-called one-person, one-company system for recruiting high school graduates, high school students who graduate from high school can, in principle, only apply for one company recommended by a teacher and can apply for the next company only after failing that one company. While this system has the effect of ensuring a high employment rate, it also hinders various options. In the job hunting of high school graduates, measures necessary to enable high school students to choose a job from a variety of options will be specified.

## **VII. Deepening Initiatives for Promoting Japan as a Leading Asset Management Center**

There has been steady progress in a wide range of initiatives for promoting Japan as a leading asset management center, such as the drastic expansion and permanent establishment of the NISA, corporate governance reform, and a reform of the asset management sector and asset ownership, and the shift from savings to investment has begun.

However, we are only halfway to promoting Japan as a leading asset management center, and we need to make our approach to each of the entities that make up the investment chain, such as households, companies, financial product distributors, asset management companies, and asset owners more effective.

We will further promote economic and social structural reforms centering on asset management in order to make Japan's capital markets "Interactive platform for domestic investors to invest overseas and attract investment from around the world."

Japan is at a turning point in the historical financial and economic environment, with the domestic market shifting to a "world with interest rates" and the international market facing uncertainties such as political trends and geopolitical risks in each country. In light of this, we will further implement initiatives for promoting Japan as a leading asset management center and support people's long-term and steady asset building.

### **1. Further implementation for Promoting Japan as a Leading Asset Management Center**

In the run-up to Japan Weeks in October this year, we will maintain and further strengthen the momentum to promote Japan as a leading asset management center by examining and implementing achievements, additional initiatives, and improvements and substantive implementation of existing initiatives.

Through the Japan Weeks and the Asset Management Forum in October this year, we will effectively disseminate the Japanese market's attractiveness to foreign asset management companies and investors. Statement plan to be compiled based on discussions among Japanese and foreign asset management companies in the Asset Management Forum.

In order to realize reforms toward promoting Japan as a leading asset management center, we will continue to strengthen the government's promotion system. At the same time, the government will consider a drastic reorganization of the Financial Services Agency.

In addition, it is important that confidence in capital markets is maintained for promoting Japan as a leading asset management center. With a view to further enhancing deterrence against unfair trade and other violations, we will consider ways to ensure that a sufficient deterrent effect is exerted, including the form of surcharges for violations.

## **2. Steady asset building of households**

- 1) Creating an environment in which people of all generations, from young to elderly, can achieve asset formation in line with their individual life plans while improving their financial literacy

In order to facilitate the management of household income and expenditure and the design and inspection of life plans, we will promote the visualization of financial information, including pension information, by planning a data aggregation framework that individuals can easily grasp their own financial assets and cash flows, while considering linking information with My Number if necessary, with the idea of using such information at personalized consultations by the Japan Financial Literacy and Education Corporation (J-FLEC).

With a view to disseminating the provision of financial and economic education in the workplace, each ministry and agency, in cooperation with the J-FLEC, will make efforts to disseminate information to related companies and economic organizations in the areas under their jurisdiction, and will introduce financial and economic education training at the ministry and local departments to serve as a model for all companies. J-FLEC will work to enhance its activities in rural areas and strengthen the dissemination of clear and reliable information to ensure that educational opportunities are provided to small and medium-sized enterprises and non-regular employees, including those who have just started investment.

With regard to defined contribution pension plans (iDeCo and corporate DC), we will aim to promptly implement the increase in the maximum amount of contribution that was included in the FY 2025 tax reform outline, taking into account wage increases. From the viewpoint of promoting asset formation for retirement, the concept of the contribution limit will be examined by the next pension system reform, taking into account the actual situation of contributions, while referring to the systems of other countries, and the amount will be raised in a timely manner based on the results of the examination.

With regard to corporate DC, in the current market environment of rising prices, business owners will explain more carefully to subscribers that principal-secured products may not be able to secure substantial purchasing power, and it is encouraged to review the composition of investment products, including designated investment methods, if necessary.

Given that the defined contribution pension system involves a larger number of entities than the NISA program, the Ministry of Health, Labour and Welfare, with the cooperation of the Cabinet Secretariat, the Financial Services Agency, and other relevant ministries and agencies, will start to consider bold reforms in the management of contribution limits and information coordination, including the role of the National Pension Fund Association as a platform for iDeCo, by the end of this fiscal year, and will implement them as soon as possible to lead to simplifying administrative procedures and reducing costs, etc.

Towards disclosing information such as the investment status of corporate pension funds

(DB and corporate DC), the Ministry of Health, Labour and Welfare is supposed to collect and publish such information, and will aim to achieve this at an early date cooperating with the Digital Agency as needed.

In order to create an environment conducive to investment by individual investors, the TSE will consider further lowering the investment unit of listed stocks in light of advances in digital technology.

In order to further improve the convenience of NISA, the government will examine the effects of NISA and consider the diversification of NISA products from the perspective of promoting steady asset building of households.

## 2) Development of an environment to financially support a society in which the elderly can live long lives with peace of mind

Given the increasing importance of asset building and management for the elderly due to the increase in longevity, J-FLEC will further devise and strengthen measures to improve financial literacy, such as actively holding events targeting the elderly, and publicizing opportunities to learn about money and receive individual counseling in cooperation with companies and local communities, so that individuals can choose appropriate financial services at each stage of their life. In addition, from the viewpoint of protecting elderly customers, financial and economic education will be thoroughly implemented, including measures against fraud.

In order to enable all generations, including the elderly, to make use of the NISA investment quotas and to use the results for their daily lives while continuing asset management in a planned manner, the government will consider specific measures to enhance asset management services that will contribute to the stability of life after retirement. For example, the government will consider enhancing the NISA program, including expanding the number of eligible products, on the premise of providing customer-oriented financial products and services.

In preparation for the future decline of elderly customers' cognitive abilities, we will promote, together with industry organizations, careful responses to the various issues and needs of elderly customers in the financial industry, such as promoting the spread of "family support securities accounts," financial services that enable transactions by proxies including relatives.

## 3) Development of an environment to promote asset building from the young generation

As part of measures to support children and address the declining birthrate, we will consider specific measures to promote asset formation for the next generation, including the use of NISA, while paying attention to the problem of inequality and the level of financial literacy.

In addition, considering the importance of "long-term, funded, diversified investment" and asset management in the event of inflation, we will consider further expanding the content of the next National Curriculum Standards that will contribute to improving financial literacy.

# **3. Enhancement of financial services and provision of various asset management products that contribute to the growth of SMEs**

## 1) Further promotion of startup investment, etc.

With a view to accelerating the supply of growth funds to startups, the government will examine necessary measures regarding tax, including the special provisions for taxation on foreign partners of overseas investors (special treatment of the Permanent Establishment (PE)), as there are opinions that it constitutes a barrier to investment in domestic venture capital, while taking into account the circumstances in other countries. In addition, in order to encourage

foreign investors to invest in startups, the Ministry of Economy, Trade and Industry will start studying the investment limited partnership (LPS) scheme in cooperation with the Financial Services Agency and other related ministries to make it easier for foreign investors to understand.

The integrated provision of advanced and diversified financial services as a financial group across business categories in response to customer needs contributes to customer convenience. From this perspective, we will steadily promote the review of the regulations on the firewall between banking and securities operations. As a prerequisite, monitoring shall be conducted to ensure that financial institutions appropriately manage customer information, manage conflicts of interest, and prevent abuse of superior positions.

From the perspective of facilitating the provision of funds by financial groups, we will consider expanding the scope of investment targets of financial institutions' subsidiaries specialized in investment, and will work with financial institutions to discuss issues related to the Interest Rate Restriction Act on loans with share options. In addition, in order to meet the temporary demand for large amounts of funds, such as large-scale M&A funds, we will consider allowing the temporary excess of the maximum amount under the regulations on large-scale credit granting.

From the perspective of invigorating investment in the shares (unlisted shares) of start-up companies by professional investors (specified investor), the "Japanese version of Rule 506" was formulated as part of last year's economic measures to create a funding environment comparable to that of the United States. In February this year, the private placement system for professional investors became available for solicitation through various media, including the Internet, and in March the requirements for individuals to become professional investors were further clarified. In order to promote the raising of funds from professional investors, we will continue to disseminate these measures to professional investors. We will also encourage the JSDA (Japan Securities Dealers Association) to consider reviewing the self-regulation that prohibits solicitation of unlisted shares by securities companies in principle, while taking into account the needs of market participants and paying attention to investor protection. In addition, the government will review the threshold amount for exemption from filing disclosure documents.

In addition to the GPIF mentioned in III.5 "Strengthening growth investments in PE funds, etc.," in mutual aid associations, etc., from the viewpoint of contributing to the interests of beneficiaries, etc., we will work to increase investment in alternative assets, including domestic PE funds and venture capital, without focusing on any particular asset class, and to "Study the Appropriate Accounting Method for Goodwill" mentioned in IV. 2. 2), "Study the appropriate growth market of the Tokyo Stock Exchange" mentioned in IV. 2. 3), and "Promote the use of the tax system for promoting open innovation" mentioned in IV. 3. 1).

## 2) Efforts to expand the impact investment market

We will continue to promote sustainable investment with a view to improving corporate value and investment returns by solving social issues. Specifically, in order to create impact investment projects, we will work on "support for impact startups (social entrepreneurs)" as described in IV. 1. 4), and will also foster local-zebra companies (companies that can help solve regional social issues) by strengthening support for impact visualization and business development. In addition, we will strengthen our network with international organizations and enhance public communication on our country's efforts. Through these efforts, we will promote a multi-stakeholder corporate society in which companies change their perspectives and consider social and environmental impacts in addition to financial risks and returns.

### 3) Promoting loans using Enterprise Value Charge

In light of the establishment of a new system for loans using Enterprise Value Charge next year, for promoting the private credit, we aim to promote loans using Enterprise Value Charge by sorting out various practical issues, such as the development of contract templates, and to stimulate growth-oriented lending products such as venture debt and leveraged loans and develop of secondary markets for them.

## **4. Enhancing corporate value and corporate governance**

It is important to further support the enhancement of corporate value over the medium to long term by continuing to promote corporate governance reforms, to promote active investment by companies, and to widely distribute the fruits of value enhancement to entities including households. For this reason, in order to change the formal responses of companies and investors into more substantive ones, we will publicize the efforts of the secretariat of the Board of Directors necessary for independent outside directors, etc., to fulfill their functions at the Board of Directors, as well as good examples of engagement between investors and companies and examples of gaps in the perception between investors and companies, and will promote efforts to disseminate them to related parties. In addition, in order to further improve the earning power of companies, it is important to recognize that there are various investment opportunities to which management resources are allocated, including: plant and equipment; R&D; establishing bases in regional core urban areas, startups, and other growth investments, and; investments in human capital and intellectual property. Therefore, we will consider reviewing the Corporate Governance Code, including verifying whether appropriate management resources are allocated and clarifying accountability. A new policy package on corporate governance including these measures will be compiled.

Based on the "Request for consideration of appropriate provision of information before shareholder meetings" to all listed companies, we will promote and grasp the actual situation of such requests, and will promote cross-regulatory studies to develop an environment for disclosure of securities reports before shareholder meetings.

In light of investor needs for disclosure of actions on sustainability that contribute to the enhancement of corporate value over the medium to long term, we will develop systems for disclosure and assurance of sustainability information at large listed companies.

In PE investment, there are examples in which the employee's engagement with the company is enhanced by giving ownership of the company to the employee of the investment target through the use of a compensation system, etc., and the investment return of the fund is returned to the employee. By widely disseminating such initiatives among Japanese companies, we will improve employee morale and corporate value over the medium to long term.

## **5. Further improving of asset management business and asset ownership**

### 1) Improving the functioning of asset management sector

Taking the opportunity of the integration of the Japan Investment Advisers Association and the Investment Trusts Association, Japan in April next year, in cooperation with the new association, we will promote industry reform through the following initiatives to create a company in Japan that can compete with global asset management companies in both quality and quantity.

We will follow up on the efforts of major financial institution groups to improve their asset management capabilities, and will ask each group to continuously deepen its efforts and support industry reforms.

We will continue to encourage major financial institutions to utilize emerging managers, such as by following up on examples of EMP initiatives, and will work to promote mutual

understanding between asset owners and venture capital firms in order to further accelerate the implementation of the Emerging Managers Program (Japanese version EMP).

In active management, including venture investment, it is essential to increase both the quality and quantity of human resources capable of discerning excellent companies. The development of human resources with expertise in each industry, particularly those specializing in deep tech and biotechnology, will support the growth of each industry and promote investment in blue-chip companies. Therefore, we will continue to grasp the actual conditions for the enhancement of human resources in the asset management industry, including buy-side analysts.

With regard to the backyard operations and systems that support asset management, there are various parties involved, such as custodians (asset management trust banks), record keepers (organizations that manage and control defined contribution pension records), and system vendors, and it has been pointed out that the contents of these operations and systems are becoming more complex and costly. Against this background, we will continue to grasp the actual conditions for rationalizing the operations and systems that serve as the infrastructure for asset management. We will further strengthen monitoring of financial institutions that support asset owners.

In light of the emergence of new technologies such as generative AI and blockchain, the public and private sectors will consider the future use of such technologies for the advancement of the asset management business.

As for “Special Zones for Financial and Asset Management Businesses”, four regions (Hokkaido, Tokyo, Osaka, and Fukuoka) were selected as the target regions in accordance with the "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses", and efforts have been made to implement regulatory reforms to support the accumulation of financial and asset management companies in Japan and overseas and the development of local industries and companies. In order to link these efforts to the entry of new financial and asset management companies into the special zones, the government will implement promotional measures in cooperation with the four regions to enhance public awareness of the attractiveness of the Japanese market and enhance dialogue among relevant parties. Additionally, we continuously provide start-up support for newly entered foreign asset management companies.

In addition, we will consider, based on an understanding of the actual situation, the development of an environment for the provision of services such as "wealth management," which covers asset management and investment in relation to banks, securities, insurance, real estate, etc., that are conducted overseas.

## 2) Further promotion of asset ownership reforms

As of the end of May, 213 entities had accepted the Asset Owner Principles, which serve as guidelines for improving the functioning of asset management by asset owners. Relevant Ministries and Agencies will continue to disseminate and further promote the acceptance of the Principles, and support initiatives to improve the functioning of asset management through asset owners' own inspections.

With regard to national university corporations, public university corporations, and educational institutions, given that funds are used overseas to secure operating funds, we will promote the understanding of the actual status of asset operation and asset management, including portfolios, and will compile the status of consideration of the Asset Owner Principles at national university corporations, public university corporations, and educational institutions by the end of the year. In particular, the acceptance of the Asset Owner Principles will be included in the requirements for the approval of international universities of excellence.

We will further promote the acceptance of the Asset Owner Principles for defined benefit corporate pension plans (DB). In addition, while the form of benefits should be considered by labor and management, we will organize and publicize case studies, including the form of DB operations, so as to ensure the inflation-resistance of participants in their post-retirement lives.

## **VIII. Advancement of Local Economies**

The government and the private sector will work together to create regional hubs and maximize the potential of the region. In addition to attracting corporate capital to local regions and making thorough use of new technologies, we will aim to upgrade local economies by promoting infrastructure development for the new era.

### **1. Strengthening innovation bases in rural areas**

In order to promote innovation in regional areas, we will expand incubation facilities at regional core universities, further develop and enhance campus-wide co-creation centers, and strengthen regional innovation centers, such as the AIST Bridge Innovation Laboratory and the Startup Ecosystem Base in collaboration with regional core universities, companies, and local governments.

### **2. Attract corporate capital to local areas**

We will promote the advancement of local economies nationwide by attracting corporate capital to local regions and strengthening regional financial power.

#### **1) Improvement of the Hometown Tax donation system for enterprises**

We will consider improving the Hometown Tax donation system for enterprises in order to locate industries and expand startups in rural areas.

Specifically, for example, when building facilities such as stadiums, half of which are for internal use and half of which are open to local use, it is unclear whether they are subject to the Hometown Tax donation system for enterprises. Given that such funding also has a certain public benefit, the government will consider clarifying that it falls within the scope of the Hometown Tax donation system for enterprises.

In addition, in response to expectations from companies regarding the Hometown Tax donation system for enterprises, we will consider the appropriate limitation of system in which the case that corporations make donations for their local areas are not covered, based on the purpose of the system, the application status of the system in recent years, and whether it will truly contribute to regional revitalization.

#### **2) Consideration of bold incentives for active investment in local areas**

It will also consider bold incentives for large companies and startups in Tokyo to invest aggressively in rural areas. In addition to promoting capital investment and R&D investment, a framework for supporting local public and positive externality investments such as community development under the approval of municipalities will be considered. At the same time, we will promote the use of Local 10,000 projects to support the start-up of new community-based businesses.

#### **3) Sound development of the hometown tax donation system for individuals**

The hometown tax donation system for individuals is also expected to promote local industries and create jobs through the provision of return gifts. We will continue to work



toward the sound development of the hometown tax donation system for individuals.

4) Measures for corporate governance, etc.

Corporate investment should be encouraged by positioning growth investment in local community development and startups as part of corporate governance, and it will be clarified through the review of the Corporate Governance Code that the development of regional business bases through active investment by companies will lead to the improvement of corporate value over the medium to long term.

5) Development of a system to guide local investment

The government will also study how to guide local investment. In light of the current lack of departments and human resources to provide one-stop support to enterprises at the prefectural and municipal levels, we will support the provision of directions to local governments and enterprises by utilizing the assistance provided by the national government.

6) Strengthening regional financial power

We will encourage regional financial institutions to exert their financial intermediation functions beyond lending, including attracting investment from companies outside the region, through supervisory guidelines, etc., and will strengthen the management foundations of regional financial institutions (Consideration of the extension and expansion of the capital participation system and the fund-grant system, including measures to ensure appropriate management and business operations of regional financial institutions which receive capital participation) in order to exercise such wide-ranging financial intermediation functions. To this end, the government will develop a “Regional Financial Power Enhancement Plan,” which is a package of policy measures related to regional finance, by the end of this year and strongly promote it.

### **3. Infrastructure development and security for the new era supporting local economies**

#### **(1) Promotion of Watt-Bit Collaboration**

From the viewpoint of economic security and strengthening of Japanese industrial power, there is a growing demand for the construction of data centers in Japan. The government has launched the "Watt-Bit Collaboration" concept, which aims to achieve both GX and DX and promote regional revitalization by decentralizing data centers to rural areas. In light of these developments, we will develop an environment to incorporate data centers and other assets into real estate investment trusts (REITs) in order to promote data center investment in Japan and provide various investment methods including real estate. At the same time, we will continue to work to revitalize the market for listed infrastructure funds, including investment in renewable energy generation facilities.

#### **(2) Accelerating the social implementation of automated driving in rural areas and redesigning local public transportation**

- 1) Introduction of driverless automated driving mobility services at more than 100 locations  
Based on the Mobility Roadmap 2025, the following initiatives will be promoted.
- We will select about 10 areas as leading regions across the country for accelerating the social implementation of automated driving such as buses and robot cabs, and will intensively apply support measures from relevant government ministries and agencies according to the issues in each area.
- We will promote the development of a common infrastructure to match regional supply and demand by taking into account multiple means of transportation, including buses, cabs, and automated driving, in order to tap unmet mobility demand and to promote the spread of

"transportation trading company functions" that meet the efficiency of mobility services that integrate supply and demand.

- We will further study the establishment of a system in the Japan Transport Safety Board to investigate the causes of accidents involving automated vehicles, with a view to improving the legal system.

In addition, we will accelerate the commercialization of automated driving by developing necessary systems, such as specifying rules for automated driving. At the same time, by FY 2027, we will provide driverless automated driving mobility services at more than 100 locations. In this way, we will promote the social implementation of automated driving.

DX for regional transportation using MaaS (Mobility as a Service) will be promoted. In addition, development and utilization of Geospatial information will be promoted for safe operation of automated driving. In order to solve the shortage of mobility across the country, the government will advance necessary initiatives for automated driving and ride-sharing based on the Basic Policy 2024, etc. In particular, we will discuss an appropriate modus of systems to solve the shortage of mobility in small and medium-sized cities in rural areas and other regions where the public transportation mode is less convenient (In these areas, for example, some of the residents have difficulty in securing mobility, such as visits to hospitals or long-term care facilities, commuting to and from their office or school, and going shopping, etc.).

## 2) Development of digital lifelines

Based on the "Digital Lifeline Development Plan" which aims to develop social infrastructure for the digital age over the next 10 years, and related roadmaps and guidelines, taking into account the results of early implementation projects such as CAV (Connected Automated Vehicles) corridors, UAS (Unmanned Aircraft Systems) Lines, and digital transformation of infrastructure management in leading regions, we will accelerate national development of digital lifelines from the three aspects of hard, soft, and rule.

## 3) Consideration of the introduction of startup technologies such as the use of automated vehicles in official vehicles

In order to accelerate the social implementation of automated driving, which will help solve the shortage of transportation in rural areas, we will consider what kind of startup technologies can be introduced through government procurement and use of automated vehicles for public use.

## 4) Promotion of digitalization of automobiles

In the automobile market, where SDV (Software Defined Vehicles) is becoming the axis of competition, in order for the automobile industry to survive in international competition even under the transformation of AI and digital technologies, we will steadily implement further measures for the development of technologies necessary for the conversion of vehicles to SDV, such as automated driving using new AI technologies, and the early implementation of automated driving in society, based on the Mobility DX Strategy revised in 2025.

## 5) Full development of re-design of local transportation systems to eliminate the "transit desert"

In order to cope with the declining population, the declining birthrate, the aging of society, and the shortage of human resources, and to attract tourists to regional areas, efforts will be made to secure "a means of transportation for local communities" and "a means of transportation for tourism."

To this end, the 3 years from FY 2025 to FY 2027 will be designated as the intensive target term for eliminate transit desert, and based on the "Policy for eliminating the 'transit desert'

2025" formulated in May this year, efforts will be made to eliminate each of the "transit desert" nationwide while building a system for local governments under further comprehensive support from the national government, including assistance to local governments and businesses, creation of pilot projects and their penetration nationwide, and the construction of a new institutional framework for collaboration and cooperation, and complementing and strengthening local government functions.

In addition, we will promote technology demonstration of AI and systems to create new services to enhance transportation services such as car dispatch in cooperation with hospitals, open a portal site to update regional public transportation plans to respond to regional issues preemptively through the use of mobility data, and provide training to local governments, create standard specifications for mobility data, create standard business models to reform bus and taxi operations and utilize data, support for the promotion of labor-saving investment such as cashless transportation, develop best practices and horizontal deployment for the acquisition and utilization of mobility data across modes in cooperation with cashless transportation, support for new combination efforts through collaboration and cooperation among various stakeholders in the region including IT and other industries, and promote technology development for the utilization of regional transportation resources such as rental cars and facility shuttle vehicles, fully re-design of local transportation systems. In doing so, as for railway services, we will promote the reconstruction of local railways and deepen discussions on the ideal railway network. Further utilization of foreign human resources in the passenger transport industry will be promoted.

### **(3) Development of optical fiber, 5G, and other digital infrastructure**

With regard to the development of 5G and other technologies, we will promote the dissemination of high-quality services unique to 5G and the development and strengthening of flexible base stations to meet the needs of non-residential areas. In addition to the development of optical fiber, support for the shift to private installation of public optical fiber, and securing BB universal service, the development of submarine cables will be undertaken.

At the same time, we will promote the creation and implementation of solutions utilizing digital infrastructure that contribute to the solution of regional issues such as disaster management, agriculture, and infrastructure inspection.

### **(4) Development of wide-area transportation infrastructure, building national resilience, and accelerating investment in disaster management and mitigation**

#### **1) Development of wide-area transportation infrastructure**

In order to strengthen our country's international competitiveness, we will promote the early development and utilization of logistics and people-flow networks such as high-standard roads, improved Shinkansen lines, Linear Chuo Shinkansen line, urban railways, ports and airports, strengthen modal connections, maintain and revitalize aviation networks, and work to secure and train key personnel.

With regard to trunk railway networks, including the basic planned routes, further efforts will be advanced, taking into account the actual conditions in each region, such as studies on the enhancement of trunk railway functions that will contribute to the realization of Regional Revitalization 2.0 and consideration of the direction of such studies. With regard to the Linear Chuo Shinkansen line, we will strictly monitor the situation of the environment and water resources, provide necessary guidance and technical support, and work with local governments along the line to improve the environment for the opening of the entire line, based on the current estimated timing for the opening of the line, based on treasury investments and loans.

## 2) Promotion of disaster management, mitigation, and national resilience

In order to realize a nation that prioritizes human life and human rights for disaster management, by the end of FY 2026, we will establish an agency for disaster management as a control tower for the promotion of thorough prior disaster management, eliminating vertical divisions, and responding in the event of a disaster and during the recovery and reconstruction period, taking a panoramic view of the government's disaster management measures. In the event of a large-scale disaster, we will secure sufficient budget and personnel and systems, including specialized human resources, to simultaneously and continuously promote prior disaster management, from the perspective of gender and diversity in consideration of women, the elderly, children, the disabled, and foreigners, the improvement of the living environment for evacuees, the strengthening of welfare support, the strengthening of regional disaster management capabilities and wide-area cooperation, public-private cooperation, disaster management education and awareness, human resource development and training, disaster management DX, and the R&D and international promotion of disaster management technologies. We will also promote the development of the disaster management industry and its promotion overseas.

In order to promote disaster management DX and science and technology, we will aim to realize a disaster management digital platform as early as possible. We will also further strengthen: the functions of the New Integrated Disaster Management Information System, which plays a central role in the system; build, coordinate, and utilize the data linkage platform, L-Alert, and D24H (Disaster Health and Medical Welfare Activity Support System); and promote information distribution among disaster management organizations in the region. In addition, we will promote the construction of new mechanisms for wide-area cooperation of disaster victim support systems in the event of large-scale disasters, as well as the development and implementation of disaster-related technologies, including research and development for improving the accuracy of prediction of disasters such as earthquakes, volcanic eruptions, and heavy snowfall, as well as information sharing and advanced decision-making in disaster response using advanced technologies such as AI.

Based on the Basic Plan for National Resilience, we will secure the necessary and sufficient budget, appropriately combine self-help, mutual help, and public help, and strongly promote efforts that integrate hardware and software. We will steadily promote initiatives based on the "First Medium-Term Plan for National Resilience Implementation" to build a resilient national land that will not succumb to disasters. In doing so, the impact of recent increases in material prices and personnel costs will be appropriately reflected, and responses will be flexibly and dynamically taken into account the situation of future disasters, the progress of projects, and the economic and financial situation.

We will promote the use of phase-free mechanisms to strengthen lifelines such as transportation, communications, and energy, which form the foundation of economic development, and accelerate measures to prevent deterioration of infrastructure such as water supply and sewerage systems and earthquake resistance.

## **(5) Regional revitalization through culture, art and sports**

Regional revitalization efforts will be made through the expansion and enhancement of national tourism utilizing cultural resources, the appropriate preservation, repair and strengthening of cultural properties as a prerequisite for tourism, the enhancement of added value of cultural properties through public-private partnerships, and the strengthening of foundation for cultural and artistic activities utilizing traditional events such as festivals, traditional performing arts, traditional crafts, and lifestyle culture. In addition, we will promote the revitalization of the art market by inviting international art fairs and strengthening the

discovery of attractive works of art in our country.

Efforts to revitalize local communities through promotion of sports complexes, sports hospitality, and sports tourism. In addition to support sports commissions, from the viewpoint of fostering local leaders, we will establish a new system for transformation to community club activities and cooperation with communities in school club activities and promote nationwide implementation from FY 2026. We will also support the use of digital technology by sports organizations and their collaboration with other industries for working to benefit local communities and the economy.

#### **4. Creation of new industries in Fukushima and other Tohoku regions, and recovery and reconstruction from the Noto Peninsula Earthquake**

In order to create new industries in the Hamadori area, etc., we will promote measures based on the revised "Industrial Development Blueprint Based on the Fukushima Innovation Coast Framework" over the next five years, while steadily promoting the creation of innovations in the fields of energy, robotics, space, and other fields and support for attracting companies.

In addition, in order to accelerate the efforts of The Fukushima Institute for Research, Education and Innovation (F-REI), the government will start full-scale construction of the site this fiscal year, and steadily advance research and development, industrialization, and human resource development.

In addition, the government will promote the decommissioning of TEPCO's Fukushima Daiichi Nuclear Power Station and the activities to ensure safety assurance, countermeasures against adverse impacts on reputation, and support for the continuation of livelihood related to the discharge of the treated water. In order to lift the evacuation order for the Restricted Areas, we will first promote decontamination and infrastructure development in the Specified Living Areas for Returnees. We will promote the expansion of the exchange and related populations, including community development through Hope Tourism (learning trips promoted by Fukushima Prefecture in the areas affected by the earthquake and the nuclear power plant accident) utilizing the "FUKUSHIMA HAMADORI CYCLE ROUTE" and artistic culture such as movies. While strengthening cooperation with regional revitalization, we will make every effort to recover and rebuild from the Great East Japan Earthquake.

The 2024 Noto Peninsula Earthquake caused extensive damages. The support for the development of Okunoto Digital Lifeline, utilization of new technologies, and measures to secure housing aims to realize the reconstruction of Okunoto as a model for regional revitalization in areas with declining populations.

### **IX. Steady Promotion of Efforts to Realize a New Capitalism**

#### **1. Review and revision of the benchmark amounts and thresholds in public systems related to the budgets and tax systems in all ministries and agencies**

As the economy has turned to rising prices, the government's budget and systems must also be changed to respond appropriately to rising prices. In order to take the lead in ensuring that wage increases outpace price increases, the government will conduct a comprehensive, cross-ministerial review and revision of the benchmark amounts and thresholds in public systems related to the budgets and tax systems.

The government will revise the following systems which have been fixed for a long time without delay.

- The amount of educational and living support benefits for children who have lost a parent in a traffic accident, which is covered by contributions, private funds, and government

subsidies, has been fixed for more than 40 years. Amid the recent rising prices, the living conditions of children who have lost a parent in a traffic accident, approximately 95% of whom are single-mother households, are in difficult conditions.

- The benchmark amount of the government subsidy for learning and daily life support services for children under the Self-reliance Support System for Needy Persons has been fixed for approximately 10 years since the system was established, which has led to restraints on the personnel costs of Social Welfare Councils, which are entrusted with the services, and on the scale of services provided.
- Efforts are being made to enhance employer-provided meals, including those in SMEs. However, the personal income tax exemption limit for employer-provided meals has been fixed for more than 40 years since the revise in 1984 amid rising food prices.
- The personal income tax exemption limit for commuting allowances related to commuting by private car, which has a high usage rate in rural areas, has been fixed for more than 10 years since the revise in 2014 amid rising gasoline prices.

Furthermore, it is conceivable that similar cases exist in a wide variety of public systems. Based on the above cases, we will conduct a comprehensive, cross-ministerial review and revision of the long-standing fixed benchmark amounts and thresholds for various public systems related to the budgets and tax systems, so as to prevent serious adverse effects on people's lives.

In doing so, for the purpose of preventing a situation in which no review is conducted over a long period of time from occurring again, alongside this review, in order to ensure policy effectiveness, we will develop mechanisms that allow timely responses to current inflation by establishing rules that require regular updates of benchmark amounts and thresholds in line with the characteristics of each public system.

## **2. Follow-up, etc.**

### **(1) Follow-up**

In order to concretely promote this Action Plan, follow-up will be conducted on the status of implementation every fiscal year, and the PDCA cycle will proceed in accordance with the KPIs established.

### **(2) Promotion of EBPM**

In promoting the Action Plan, we will evaluate the current situation based on the set target values and promote evidence-based policy-making (EBPM) in order to take appropriate measures accordingly.

### **(3) Relaxation of restrictions on the use of administrative data**

In order to promote EBPM, it is essential to facilitate the use of administrative data for academic research by researchers at universities outside administrative agencies, and to utilize the results for policy making.

To this end, while referring to efforts to utilize tax, customs, and medical claim data in academic research for policy review, we will promptly develop an environment in which employment insurance and employee pension data can be used academically as a use case for how to use and provide personal information acquired and held by the administration for academic research purposes.

### **(4) Public-private partnership**

The new capitalism will be realized only when the public and private sectors play their respective roles. The government will act more than ever to maximize the power of the

people and make the most of its power to solve social issues that have been the domain of the government.

Raising the potential growth rate and achieving a virtuous cycle of growth and distribution will be an important foundation for our country's long-term economic, fiscal, and social security sustainability and for maintaining fiscal credibility, even as the population declines at an accelerated pace. Fiscal policy depends on the economy, and we will make the necessary policy responses consistent with fiscal consolidation targets. Wise spending will be thoroughly implemented to draw out the vitality of the private sector and lead to economic growth and other results.

< Target values set in this Action Plan >

In order to concretely promote this Action Plan, the following target values have been set for each field. We will continue to follow up on the implementation status.

- Over the 5 years to FY 2029, approximately 60 trillion yen (based on the Basic Survey on SMEs) will be invested to improve productivity. (II. Promotion of the Five-Year Plan for Increasing Wages at Small and Medium Enterprises and Small-scale business)
- Develop 2.3 million digital human resources between FY 2022 and the end of FY 2026. (II. 4. (2) Reskilling of a wide range of workers in response to advances in AI and other technologies)  
Progress: 510,000 employees were trained in FY 2023 and 440,000 in the first half of FY 2024.
- New targets for domestic investment at 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040 will be achieved by both the public and private sectors. (III. Realization of an investment-oriented country)
- While ensuring the sustainability of universal public health insurance (about 45 trillion yen), we aim to create a "100 trillion yen healthcare market" by growing the healthcare industry from the current size of about 30 trillion yen to about 80 trillion yen by 2050. (III. 2. (1) Healthcare)
- Exports of agricultural, forestry and fishery products and foods will be 2 trillion yen in 2025 and 5 trillion yen in 2030. (III. 2. (3) 1) Strengthening "earning power from overseas" through exports of agricultural, forestry and fishery products and foods)  
Progress: 1,507.1 billion yen in 2024 (up 3.6% from the previous year).  
Exports to China and Hong Kong decreased significantly due to import restrictions on fishery products, but exports to other countries and regions increased significantly. As a result, exports in 2024 increased 3.6% year-on-year to 1,507.1 billion yen, exceeding 1.5 trillion yen for the first time. A number of items including beef, rice and tea recorded record highs.
- By FY 2027, in hilly and mountainous areas, we will create 150 examples of agricultural land conservation and management using smart agricultural machines and shopping support using ICT by rural management organizations that complement multiple village functions ("Digikatsu" hilly and mountainous areas). (III. 2 (3) 2) Regional growth through agriculture, forestry, fisheries and food industries)  
Progress: As of the end of FY 2024, 97 areas were registered as "Digikatsu" hilly and mountainous areas.
- Expand the overseas market for Japanese content to 20 trillion yen by 2033. (III. 2 (4) Implementation of strategies to revitalize the content industry)
- Realize inbound spending of 5 trillion yen and domestic travel spending of 20 trillion yen earlier than 2025.  
In 2030, the number of international visitors to Japan to reach 60 million, and consumption to reach 15 trillion yen. (III. 2. (5) Tourism)  
Progress: In 2024, inbound spending was about 8.1 trillion yen, and domestic travel spending was about 25.2 trillion yen, achieving the target as in 2023. The total number of international visitors to Japan in 2024 was 36.87 million, a record high (the previous record was 31.88 million in 2019).
- Steadily implement the Infrastructure Systems Overseas Expansion Strategy 2030 to achieve the target of 45 trillion yen in infrastructure system orders received overseas by 2030. (III. 2. (6) Promotion of external economic partnerships and overseas business development)
- Increase FDI balance in Japan to 120 trillion yen in 2030 and 150 trillion yen as early as possible in the first half of the 2030s. (III. 2. (7) Acceleration invitation of FDI in Japan)
- Achieve GX investment of over 150 trillion yen in the 10 years to FY2032 through public-private sector cooperation. (III. 3. (1) 1) Development of GX and energy policies with a view of 2040)  
Progress: The government has budgeted about 5 trillion yen in GX investment by the initial budget for FY 2025. The government's support for advance investment and regulatory and institutional measures will be implemented in an integrated manner to attract private investment toward the goal of achieving GX investment of over 150 trillion yen in 10 years through public-private cooperation. In addition, the



amended GX Promotion Act and the amended Resources Act, which include the legalization of the emissions trading system, were enacted during the current Diet session.

- Achieve 10% introduction of sustainable aviation fuel (SAF) by 2030. (III. 3. (1) 1) Development of GX and Energy Policies with a view of 2040)  
Progress: In addition to the import of overseas SAF to date, commercial use of domestic SAF began in 2025 with the start of supply at large-scale manufacturing facilities in Japan. In February 2025, the target businesses for capital investment support utilizing GX Economy Transition Bonds were adopted, and the supply of domestic SAF is being expanded.
- Select at least 100 Decarbonization Leading Areas by FY 2025 and realize the plan by FY 2030. (III. 3. (1) 2) iii) Promote GX including communities, lifestyles, and SMEs)
- Aims to reduce the amount of clothing discarded from households by 25% by FY 2030 compared to FY2020. (III. 3. (1) 3) i) Realization of Enriched Livelihoods and Communities Using Local Recyclable Resources)  
Progress: 506,000 tons in 2024, down 1.7% from 515,000 tons in 2020.
- Based on the Act on Sophistication of Recycling Business, etc. we will certify more than 100 advanced resource circulation projects in three years. (III. 3. (1) 3) ii) Building an advanced resource circulation network in Japan and overseas)  
Progress: Detailed systems are under consideration for the steady implementation of the Act on Sophistication of Recycling Business, etc. within this year.
- Increase the processing volume of electronic scrap (E-scrap) recycling to approximately 500,000 tons by 2030 (50% increase over 2020). (III. 3. (1) 3) ii) Building an advanced resource circulation network in Japan and overseas)  
Progress: Approximately 360,000 tons processed in 2023.
- By 2030, the total sales of domestic semiconductor manufacturers (semiconductor-related) will exceed 15 trillion yen, and by 2030, the total sales of domestic high-tech electronic components manufacturers will exceed 3 trillion yen. (III. 3. (2) 2) Semiconductor investment)
- By the end of FY 2027, 340 local governments will implement reforms such as online applications and one-stop counters. (III. 3. (2) 7) Promotion of digital government)
- Public and private investment in biotechnology manufacturing will be raised to 3 trillion yen a year by 2030. (III. 4. 3) Biotechnology Industry)  
Progress: Public and private investment in biotechnology manufacturing was 438.9 billion yen annually in FY 2022 (estimated).
- Secure manufacturing base of 150 GWh/year domestically and 600 GWh/year globally for batteries by 2030. (III. 4. 4) Storage battery)  
Progress: About 115 GWh/year of domestic manufacturing base is expected to be secured.
- Increase the amount of investment in startups to more than 10 times (about 10 trillion yen) in FY 2027, 5 years after FY 2022. We will also create 100 unicorns and 100,000 startups in the future. (IV. Strengthening Startup Development Five-year Plan)  
Progress: The amount of investment in startups has been declining globally since 2022 due to the growing geopolitical risk caused by the invasion of Ukraine, which has led to a decline in venture capital funding and sluggish market conditions. The amount of investment in major overseas countries in 2024 (preliminary figures) declined significantly from the 2021 level: -47% in the United States, -56% in China, and -61% in the United Kingdom. On the other hand, in our country, due to the start of the implementation of the Startup Development Five-year Plan, the momentum to create and invest in startups has increased among related parties such as entrepreneurs, business companies, and venture capital firms in Japan and overseas. This led to a -12% decrease from 2021 to 779.3 billion yen, a relatively small decrease compared to other countries. The number of startups in our country has increased approximately 1.5 times, from 16,100 in 2021 to 25,000 in April 2025, and the range of startups

is steadily expanding. As of May 2025, there were 8 unicorns (up 2 from 6 in 2022).

- Support 500 people per year in FY 2027 through mentor-supported programs. (IV. 1. Building human resources and networks, including the creation of startups in rural areas)  
Progress: Support for 74 people per year in FY 2022, 548 people per year in FY 2023, and 578 people per year in FY 2024. In FY 2023 and FY 2024, we achieved the FY 2027 target of 500 people per year.
- In the 5 years from FY 2023 to FY 2027, we will increase the number of young human resources with entrepreneurial aspirations to be dispatched overseas to 1,000. (IV. 1. 3) Strengthening functions of Startup Cities)  
Progress: 400 personnel were dispatched in FY 2023 and 391 in FY 2024. Steady expansion toward the target of 1,000 personnel over 5 years.
- Over the 5 years from FY 2023 to FY 2027, we will support commercialization of research results from universities on more than 5,000 projects. (IV. 1. 3) Strengthening functions of Startup Cities)  
Progress: In FY 2023, support for business development was provided for 1,079 projects.
- For properties, construction, and services procured by the government and related organizations, the ratio of contracts from startups will be expanded to more than 3% (about 300 billion yen) from SMEs founded less than 10 years ago. (IV. 3. 3) Expansion of government procurement for startups)  
Progress: The percentage of contracts with SMEs founded less than 10 years ago was 1.39% in FY 2023.
- Increase the production value of quantum technology to 50 trillion yen by 2030. (V. 5 (1) Quantum technology)  
Progress: The production value of quantum technologies in FY 2023 was 700 billion yen (estimated).
- In light of the critical situation in which Japanese companies are losing human resources amid the post-coronavirus shortage, we will reduce the wage gap that exists between Japanese and foreign companies for the same job, taking into account differences in economic conditions in each country. Eliminate wage disparities based on gender, age, etc.  
The proportion of those whose wages increase as a result of changing jobs continues to exceed the proportion of those whose wages decrease. (VI. 1. Acceleration of trinity labor market reform)  
Progress:
  - Internal and external pay differentials by job type (Wages for each type of job in each country are shown as a ratio of the figures in Japan, with wages for each type of job in Japanese companies set at 100.)

Note: It should be noted that a simple comparison with past figures is not appropriate because the number of companies subject to the survey fluctuates widely.

As of January 2025

	All types of jobs	Management / Planning	General affairs	Finance and accounting	Personnel affairs	IT	Creative design	Data analytics	Technical research	Project management	Sales / Marketing	Production
Japanese companies	100	100	100	100	100	100	100	100	100	100	100	100
Foreign companies (Japan)	120	121	113	115	121	124	128	122	118	122	122	106
Singapore	168	173	170	162	168	180	177	173	172	176	175	167
Germany	151	157	147	148	148	154	134	148	153	150	158	144
U.S.	150	150	134	136	142	164	148	156	158	152	152	131
South Korea	127	125	122	119	126	131	136	141	128	133	129	117
France	117	139	126	119	121	124	117	120	112	122	122	108
Canada	126	123	113	119	123	130	122	123	135	127	126	112
Italy	115	116	110	110	114	114	105	102	113	117	127	101
U.K.	110	110	103	109	110	115	104	111	107	111	116	96
China (Beijing)	123	135	109	112	123	130	136	140	122	142	127	101

(\*) As of January 2025, the global total cash compensation levels by occupation (Professional Seniors, Year 7 to Year 10) are calculated based on purchasing power parity dollars (OECD) in 2024 for the local currency wage for the median of each occupation in each country.

Source: Compiled based on Mercer data.

- Wage gap due to gender

According to the 2024 Basic Survey on Wage Structure, the ratio of scheduled cash earnings of female workers to scheduled cash earnings of male workers increased by 1.0 points (from 74.8% to 75.8%) and 0.6 points (from 77.5% to 78.1%), respectively, from the previous year among regular workers and, within them, among regular employees, indicating that the wage gap between men and women is narrowing.

- We gap due to age, etc.

According to the 2024 Basic Survey on Wage Structure, among regular workers (male and female combined), the difference in hourly scheduled cash earnings by age group over 60 (Difference in the figures for each age group by 5 years compared with the figures for one younger age group) among those aged 60-64, 65-69, and 70 or older was respectively minus 0.8 points (from minus 21.7% to minus 22.5%), minus 2.3 points (from minus 11.0% to minus 13.3%), and minus 1.6 points (from minus 4.4% to minus 6.0%) from the previous year, and the amount of decline expanded.

In addition, among regular workers and regular employees, the difference in hourly scheduled cash earnings by age group over 60, among those aged 60-64, 65-69, and 70 or older was respectively minus 2.3 points (from minus 17.2% to minus 19.5%), minus 0.7 points (from minus 10.3% to minus 11.0%), and minus 0.9 points (from minus 4.2% to minus 5.1%) from the previous year, and the amount of decline expanded.

- Increase in wages due to job changes

In 2023, the rate of wage increases after changing jobs (37.2%) exceeded the rate of wage decreases (32.4%).

- Increase the annual number of Japanese students studying abroad to 500,000 by 2033.

Increase the annual number of international students to 400,000 and increase the post-graduation employment rate of international students in Japan to 60% (excluding students moving on to higher education.) by 2033. (VI. 2. (6) Expansion of studying abroad mobility and internationalization of education)

Progress: According to OECD's "Education at a Glance" in 2022 and the Japan Student Services Organization's "Survey on the Status of Japanese Students Studying Abroad" in FY 2023, the annual number of Japanese students sent to study abroad is 136,048(an increase of 38,191 from the previous year).

The annual number of international students in FY 2024 is 336,708 (an increase of 57,434 from the previous year).

The post-graduation employment rate for international students in Japan is 51.6% in FY 2023 (53.3% in FY 2022).

- By FY 2025, the number of doctoral students for whom living expenses are paid will be increased 3 times (equivalent to 70% of those who advance from master's programs). (VI. 3. 3) Promotion of funding and joint program development from industry to educational institutions)

Progress: In FY 2023, the number of doctoral students reached 18,400 (estimated), 2.5 times the previous number (7,500 (estimated) in FY 2018), and in FY 2024, the number of doctoral students reached 20,400 (estimated), 2.7 times the previous number. From FY 2025, we will steadily enhance financial support for doctoral students by utilizing investment profits from university funds toward the FY 2025 target set in the 6th Science, Technology and Innovation Basic Plan.

- It aims to increase the total number of NISA accounts to 34 million by the end of 2027 and the amount of purchases to 56 trillion yen. (VII.2. Stable household asset formation)

Progress: As of the end of March 2025, the total number of accounts was 26.47 million (up 5.22 million accounts, 25% since the end of December 2023) and purchases amounted to 59 trillion yen (up 24 trillion yen, 68% since the year).

- By the end of FY 2028, the percentage of people who believe they have received financial and economic education should be 20%, the same level as in the United States. (VII. 2. Stable household asset formation)

Progress: 7.1% in 2022.

- Select about 10 areas as leading regions across the country for accelerating the social implementation of automated driving. (VIII. 3. (2) 1) Introduction of driverless automated driving mobility services at more than

100locations)

- Realize driverless automated driving mobility services at more than 100 locations by FY 2027. (VIII.3. (2) 1) Introduction of driverless automated driving mobility services at more than 100locations)  
Progress: The number of locations of driverless automated driving mobility services will be organized and materialized during FY 2025.
- By FY 2027, we will recognize 300 local governments that are creating sustainable systems to eliminate the "transit desert." (VIII. 3. (2) 5) Full development of re-design of local transportation systems to eliminate "transit desert")  
Progress: Scheduled to be compiled at the end of FY 2025.
- By FY 2027, approve 300 implementation plans for specified local public transport projects based on the Act on Revitalization and Rehabilitation of Local Public Transportation Systems. (VIII. 3. (2) 5) Full development of re-design of local transportation systems to eliminate "transit desert")  
Progress: 140 projects were approved by the end of FY 2024.
- With regard to the development of 5G, etc., by the end of FY 2030, the ratio of population coverage will be 99% and road coverage of expressways and national roads will be 99%. (VIII. 3. (3) Development of optical fiber, 5G, and other digital infrastructure)  
Progress: The population coverage ratio reached 98.1% at the end of FY 2023 (96.6% at the end of FY 2022), making steady progress toward the target. Road coverage of expressways and national highways is under investigation in the Survey on Mobile Phone Area Development.
- Increase the household coverage rate of optical fiber to 99.9% by the end of FY 2027. (VIII. 3. (3) Development of optical fiber, 5G, and other digital infrastructure)  
Progress: The household coverage ratio was 99.84% at the end of FY 2022 (99.72% at the end of FY 2021). In FY 2023, new optical fiber installations were completed in 15 local governments that have areas that have yet to be installed through subsidized projects, making steady progress toward the target (household coverage ratio data for FY 2023 will be released around July).
- By FY 2025, we will hold lectures on how to use smartphones nationwide, including about 790 municipalities that do not have mobile phone shops. (Grand Design and Implementation Plan of the New Capitalism 2024 Revision IX. 1. (1) 5) Enhancing digital literacy)  
Progress: Seminars were held at approximately 6,500 locations in FY 2024. As of the end of FY 2024, approximately 1,420 (82%) out of 1,741 municipalities had held seminars. In addition, in municipalities that do not have mobile phone shops, 465 municipalities (59%) held seminars.

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< Annotation List >

- <sup>1</sup> Basic Material P1: Trends in Wage Increase Rates in the Spring Labor-Management Negotiations (Rengo Survey)
- <sup>2</sup> Basic Material P2: Trends in Capital Investment by Private Enterprises and Public-Private Targets for Domestic Investment
- <sup>3</sup> Basic Material P3: Relationship between Wages and Private Capital Investment
- <sup>4</sup> Basic Material Page 4-5: Price Pass-Through of SMEs  
Price Pass-Through Rate by Industry (September 2024)
- <sup>5</sup> Basic Material P6: Public Demand as a Percentage of Prefectural GDP
- <sup>6</sup> Basic Material P7: Number of Local Governments that Have Introduced the Low Bidding Price Survey System or the Minimum Price Limit System
- <sup>7</sup> Basic Material P8: Importance of R&D Investment and Intellectual Property in SMEs
- <sup>8</sup> Basic Material Page 9-10: Trends in the Active Job Openings-to-Applicants Ratio by Occupation  
Minimum Wage Impact Ratio by Industry
- <sup>9</sup> Basic Material Page 11-12: Issues in Labor-Saving Investment  
Labor-Saving Effects of Using Robots in the Workplace
- <sup>10</sup> Basic Material Page 13: Status of Regional Management Personnel
- <sup>11</sup> Basic Material Page 14: Distribution of Managerial Age in the Number of SMEs and small business
- <sup>12</sup> Basic Material Page 15: New Initiatives in Projects by Age of Representative
- <sup>13</sup> Basic Material Page 16: Trends in the Ratio of Loans with Management Guarantees to Total New Loans by Financial Institution
- <sup>14</sup> Basic Material Page 17: Indicators of Foreign Minimum Wages
- <sup>15</sup> Basic Material Page 18: Capital Investment, Human Resource Investment, and Total Salary Growth over 10 Years in Medium-Sized Enterprises
- <sup>16</sup> Basic Material Page 19: R&D Investment by Number of Employee (to Sales)
- <sup>17</sup> Basic Material Page 20: Issues that SMEs Face in Overseas Expansion
- <sup>18</sup> Basic Material Page 21: Trends in the World's Aging Rate (Percentage of Population Aged 65 or Over)
- <sup>19</sup> Basic Material Page 22: Number of Natural Disasters in the World
- <sup>20</sup> Basic Material Page 23: Number of Japanese Restaurants Overseas
- <sup>21</sup> Basic Material Page 24: Travel Consumption by Foreign Visitors to Japan (from April to December 2023)
- <sup>22</sup> Basic Material Page 25: Regional Issues Related to Attracting Enterprises
- <sup>23</sup> Basic Material Page 26: State of Startups in Local Areas
- <sup>24</sup> Basic Material page 27: Deep-Tech-Related Investment in Global Venture Capital Investment
- <sup>25</sup> Basic Material page 28-29: International Comparison of the Increase Rate of R&D Investment in the Public and Private Sectors Combined  
Japan's Ranking in Research on Critical Technologies
- <sup>26</sup> Basic Material page 30: Trends in the Number of Top 10% Cited Papers
- <sup>27</sup> Basic Material page 31-33: Relationship between the Smoothness of Labor Mobility and Wage Growth  
Percentage of Workers Affected by Generative AI  
Relationship between Automation Coverage Rate by

- 
- Generative AI and Average Annual Income
- <sup>28</sup> Basic Material page 34-35: Changes in Wages due to Reskilling  
Government Measures to Support Relearning of Incumbents
- <sup>29</sup> Basic Material page 36-37: Benefits Enterprises Perceive for Job-Based Wages  
Status of Desire to Change Jobs among Employees Working at  
Companies that have Introduced Job-Based Wages
- <sup>30</sup> Basic Material page 38: Career Development Awareness among Young and Mid-Level  
Employees
- <sup>31</sup> Basic Material page 39: Effects of Learning from By-Jobs/Side-Jobs
- <sup>32</sup> Basic Material page 40: Percentage of Enterprises that Allow By-Jobs/Side-Jobs

< List of laws >

The following abbreviations are used as law names.

The Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Act No. 120 of 1956) after amendment by Act to amend Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (Act No. 41 of 2025)
Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise	Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprise (Act No. 97 of 1966)
Amended Construction Business Act	Construction Business Act (Act No. 100 of 1949) revised by The Act Partially Amending the Construction Business Act and the Act for Promoting Proper Tendering and Contracting for Public Works (Act No. 49 of 2024)
Containers and Packaging Recycling Act	Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (Act No. 112 of 1995)
Revised Subcontract Act (The Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators)	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors after amendment by the Act to amend the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises
Anti-Monopoly Act	Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947)
Hotel Business Act	Hotel Business Act (Act No. 138 of 1948)
Act on the Promotion of Smart Agricultural Technology Utilization	Act on the Promotion of Smart Agricultural Technology Utilization to Improve Agricultural Productivity (Act No. 63 of 2024)
Next Generation Medical Infrastructure Act	Act on Anonymized Medical Data and Pseudonymized Medical Data That Are Meant to Contribute to Research and Development in the Medical Field (Act No. 28 of 2017)
Revised Basic Act on Food, Agriculture, and Rural Areas	Basic Act on Food, Agriculture, and Rural Areas (Act No. 106 of 1999) revised by the Act Partially Amending the Basic Act on Food, Agriculture, and Rural Areas (Act No. 44 of 2024)
Revised Forest Management Act	Forest Management Act (Act No. 35 of 2018) after amendment by the Forest Management Act and the Act Partially Amending the Forest Act (Act No. 48 of 2025)
Revised Compensation of Fishery Disaster Act	Act on Compensation of Fishery Disaster (Act No. 158 of 1964) amended by the Act Partially Amending the Act on Compensation of Fishery Disaster (Act No. 31 of 2025)
Labor Standards Act	Labor Standards Act (Act No. 49 of 1947)
JICA Act	Act on the Japan International Cooperation Agency, Independent Administrative Agency (Act No. 136 of 2002)
Act on Promotion of Global Warming Countermeasures	Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998)
Revised Act on the Promotion of Global Warming Countermeasures	Act on the Promotion of Global Warming Countermeasures revised by the Act Partially Amending the Act on Promotion of Global Warming Countermeasures (Act No. 56 of 2024)
Act on Promotion of Research & Development, and	Act on Promotion of Research & Development, and Utilization of Artificial Intelligence-related Technology (Act No. 53 of 2025)

Utilization of AI-related Technology	
Information Distribution Platform Act	Act on Measures against Infringement of Rights Caused by Information Distribution via Specified Telecommunications (Act No. 137 of 2001)
Act on Facilitation of Information Processing	Act on Facilitation of Information Processing (Act No. 90 of 1970)
Act on the Protection of Personal Information	Act on the Protection of Personal Information (Act No. 57 of 2003)
Basic Act on the Advancement of Public and Private Sector Data Utilization	Basic Act on the Advancement of Public and Private Sector Data Utilization (Act No. 103 of 2016)
Act on Promotion of Competition for Specified Smartphone Software	Act on Promotion of Competition for Specified Smartphone Software (Act No. 58 of 2024)
Economic Security Promotion Act	Act on the Promotion of Ensuring National Security Through Integrated Implementation of Economic Measures (Act No. 43 of 2022)
Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities	Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Act No. 100 of 2000)
Act on Launching Spacecraft and Launch Vehicle and Control of Spacecraft	Act on Launching Spacecraft and Launch Vehicle and Control of Spacecraft (Act No. 76 of 2016)
Clinical Trials Act	Clinical Trials Act (Act No. 16 of 2017)
The Basic Act on Dementia to Promote an Inclusive Society	The Basic Act on Dementia to Promote an Inclusive Society (Act No. 65 of 2023)
Act on Strengthening Industrial Competitiveness	Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013)
Act on the Arrangement of Related Acts to Promote Work Style Reform	Act on the Arrangement of Related Acts to Promote Work Style Reform (Act No. 71 of 2018)
Part-time and Fixed-term Employment Act	Act on Improvement of Personnel Management and Conversion of Employment Status for Part-Time Workers and Fixed-Term Workers (Act No. 76 of 1993)
Revised Act on the Advancement of Integration and Streaming of Distribution Business	Act on the Advancement of Integration and Streaming of Distribution Business (Act No. 85 of 2005) after the revision by the Act to Partially Amending the Act on the Advancement of Integration and Streaming of Distribution Business and the Motor Truck Transportation Business Act (Act No. 23 of 2024)
Motor Truck Transportation Business Act	Motor Truck Transportation Business Act (Act No. 83 of 1989)
Revised Act on the Promotion of Women's Active Engagement in Professional Life	Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) after amendment by the Act Partially Amending the Act on Comprehensively Advancing Labor Measures, and Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives (Act No. 63 of 2025)
Interest Rate Restriction Act	Interest Rate Restriction Act (Act No. 100 of 1954)
Revised GX Promotion Act	Act on the Promoting Transition to the Decarbonized Growth Economic Structure (Act No. 32 of 2023) revised by the Act for Partially Amending the Act on the Promoting Transition to the Decarbonized Growth Economic Structure and the Act on the Promotion of Effective Utilization of Resources (Act No. 52 of 2025)
Revised Resources Act	Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991) amended by the Act for Partially Amending the Act on the Promoting Transition to the Decarbonized Growth Economic Structure and the Act on the Promotion of Effective Utilization of Resources
Act Concerning Sophistication of Recycling Business, etc. to Promote Resource Circulation	Act Concerning Sophistication of Recycling Business, etc. to Promote Resource Circulation (Act No. 41 of 2024)
Act on Revitalization and Rehabilitation of Local Public Transportation Systems	Act on Revitalization and Rehabilitation of Local Public Transportation Systems (Act No. 59 of 2007)

# Grand Design and Action Plan for a New Form of Capitalism 2025 Revised Version

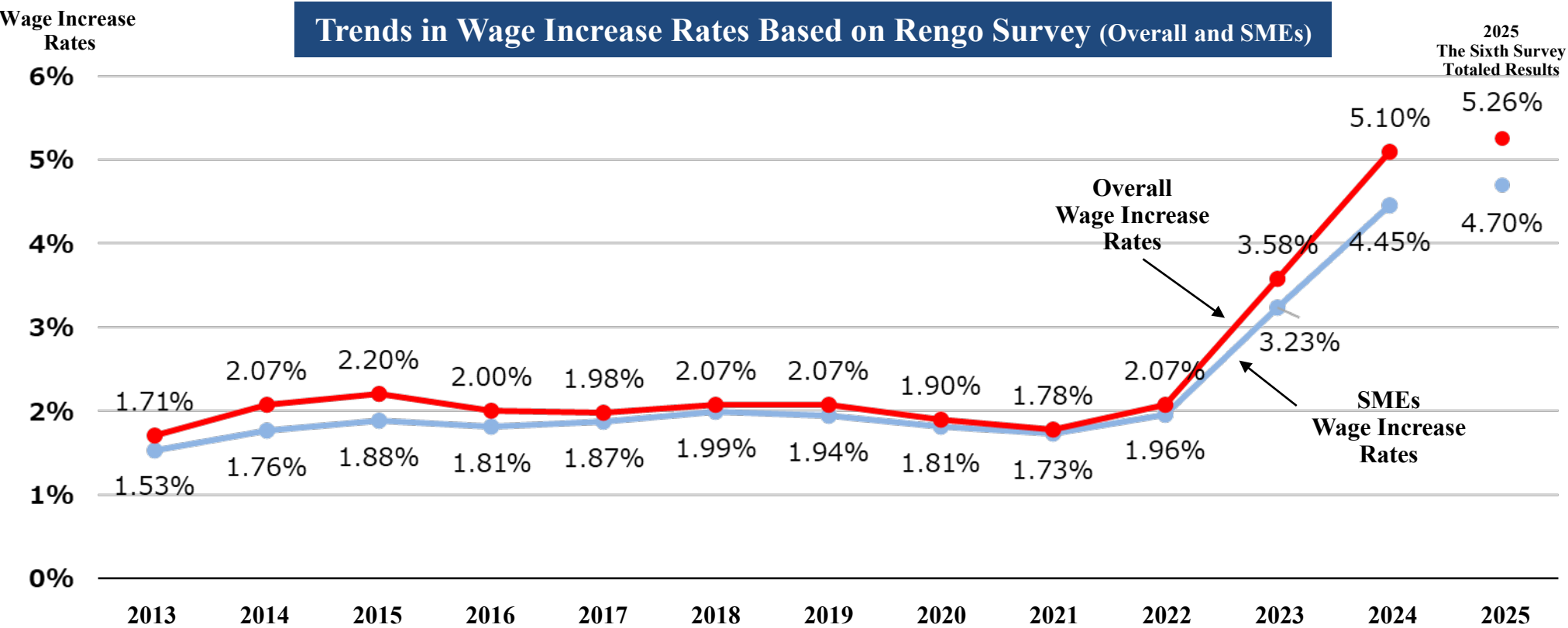
## Basic Data

June 13, 2025



# Trends in Wage Increase Rates in the Spring Labor-Management Negotiations (Rengo Survey)

- According to a survey by the Japanese Trade Union Confederation (Rengo), the wage increase rates in 2024 was 5.10%, while the rate for small and medium-sized enterprises (SMEs) only was 4.45%.
  - The wage increase rates in 2025 was 5.26% according to the sixth survey totaled result<sup>(Note)</sup> published on June 5, and 4.70% for SMEs only.
- (Note) The results of the spring labor-management negotiations are published in seven rounds, from the first round (in March) to the final round (in July).



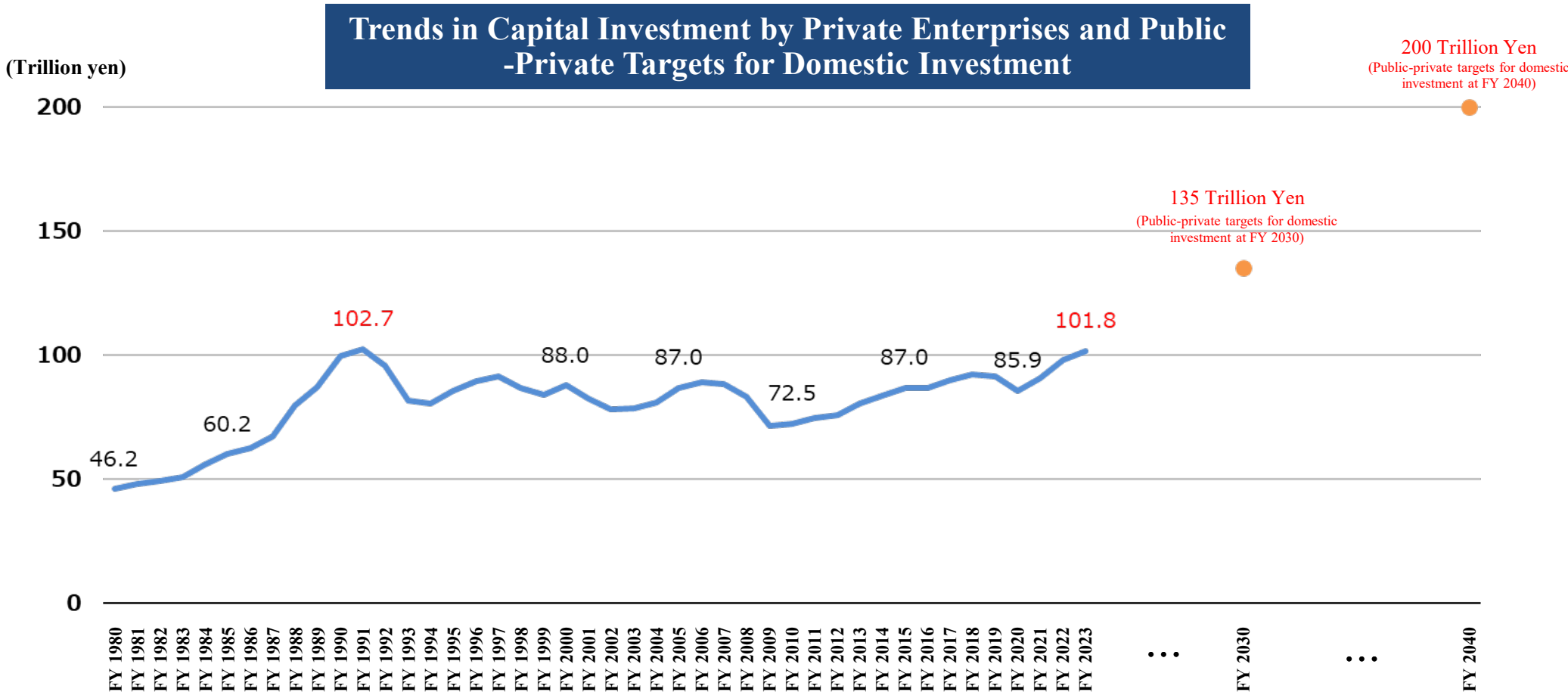
(Note 1) The survey targeted unions whose responses were obtained using the average wage method (a system in which the increase in average wage per worker is demanded and determined, and the wages of all workers are revised based on the determined wage). SMEs are enterprises with less than 300 union members. In 2024, there were 5,284 unions as a whole and 3,816 unions of SMEs. The figures for 2025 are from the totaled results of the sixth survey (in addition, according to the results of the sixth survey in 2024, the overall wage increase rate was 5.08% and that of SMEs was 4.45%).

(Note 2) The wage increase is calculated by taking weighted average of each company's wage increase rate, including the amount equivalent to regular wage increases, based on the number of union members.

(Source) Created based on Rengo "2024 Spring Struggle for a Better Life, 7th (Final) Total Results" (published July 3, 2024) and Rengo "2025 Spring Struggle for a Better Life, 6th Total Results" (published June 5, 2025).

# Trends in Capital Investment by Private Enterprises and Public-Private Targets for Domestic Investment

- Capital investment by Japanese companies has been increasing in recent years, reaching 101.8 trillion yen in FY 2023, and recovered to the 100 trillion-yen level for the first time in 32 years since FY 1991 (102.7 trillion yen).
- New targets for domestic investment at 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040 surely will be achieved by both the public and private sectors.



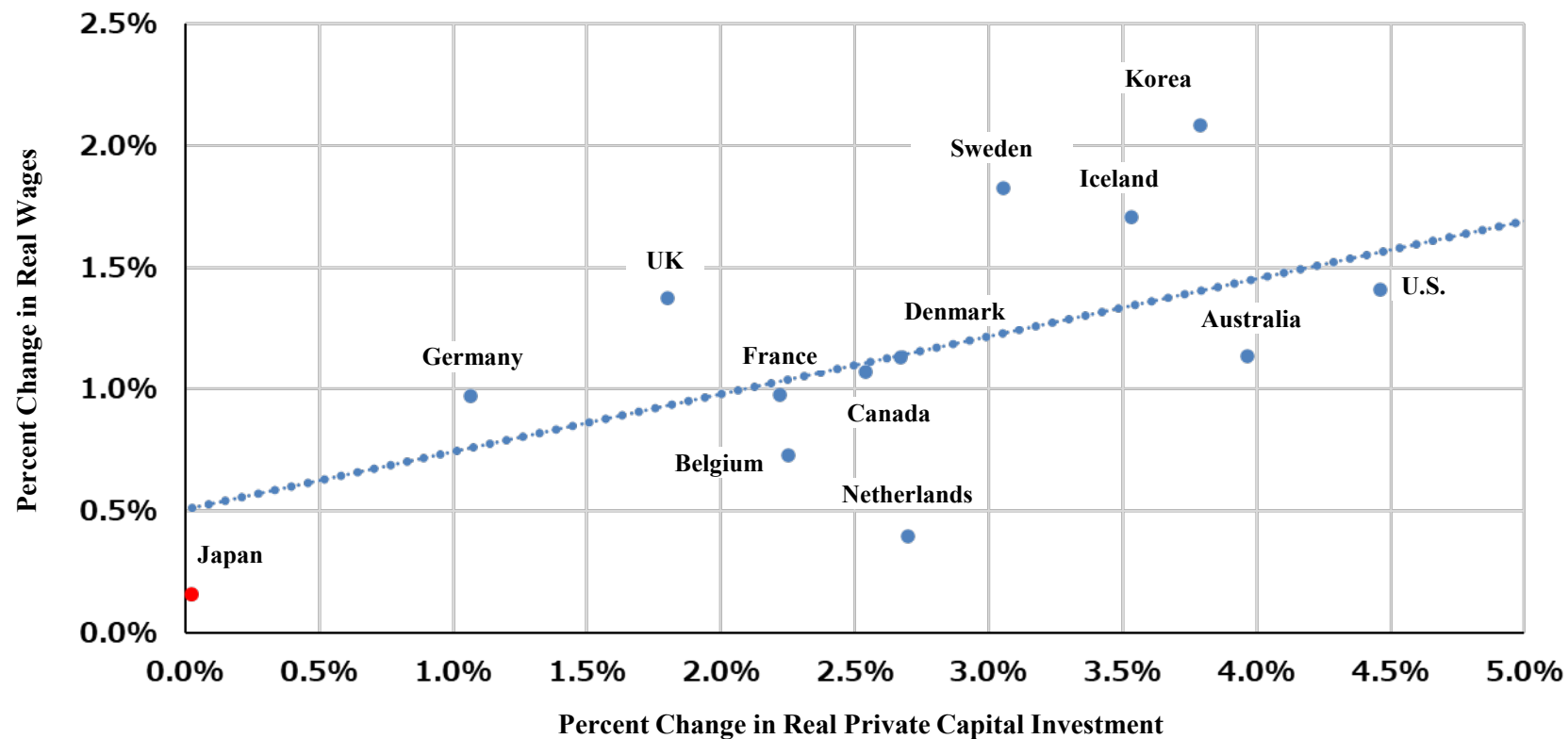
(Note) Nominal value of "Private Plant and Equipment." Figures for FY 1993 and earlier are simplified retroactive to the 2015 Standard Expenditure Approach GDP Series.

(Source) Created based on the Cabinet Office "SNA (National Accounts of Japan)," and Japan Business Federation (Keidanren) "Toward Expanding Domestic Investment" (Material 5 of the Public-Private Partnership Forum on Increasing Domestic Investment, January 27, 2025).

# Relationship between Wages and Private Capital Investment

- Increased domestic investment leads to higher wages through higher labor productivity.
- In Japan, the rates of increase in both capital investment and wages are low.

**Relationship between Wages and Private Capital Investment**  
(Annual Average Percent Change from 1991 to 2021)

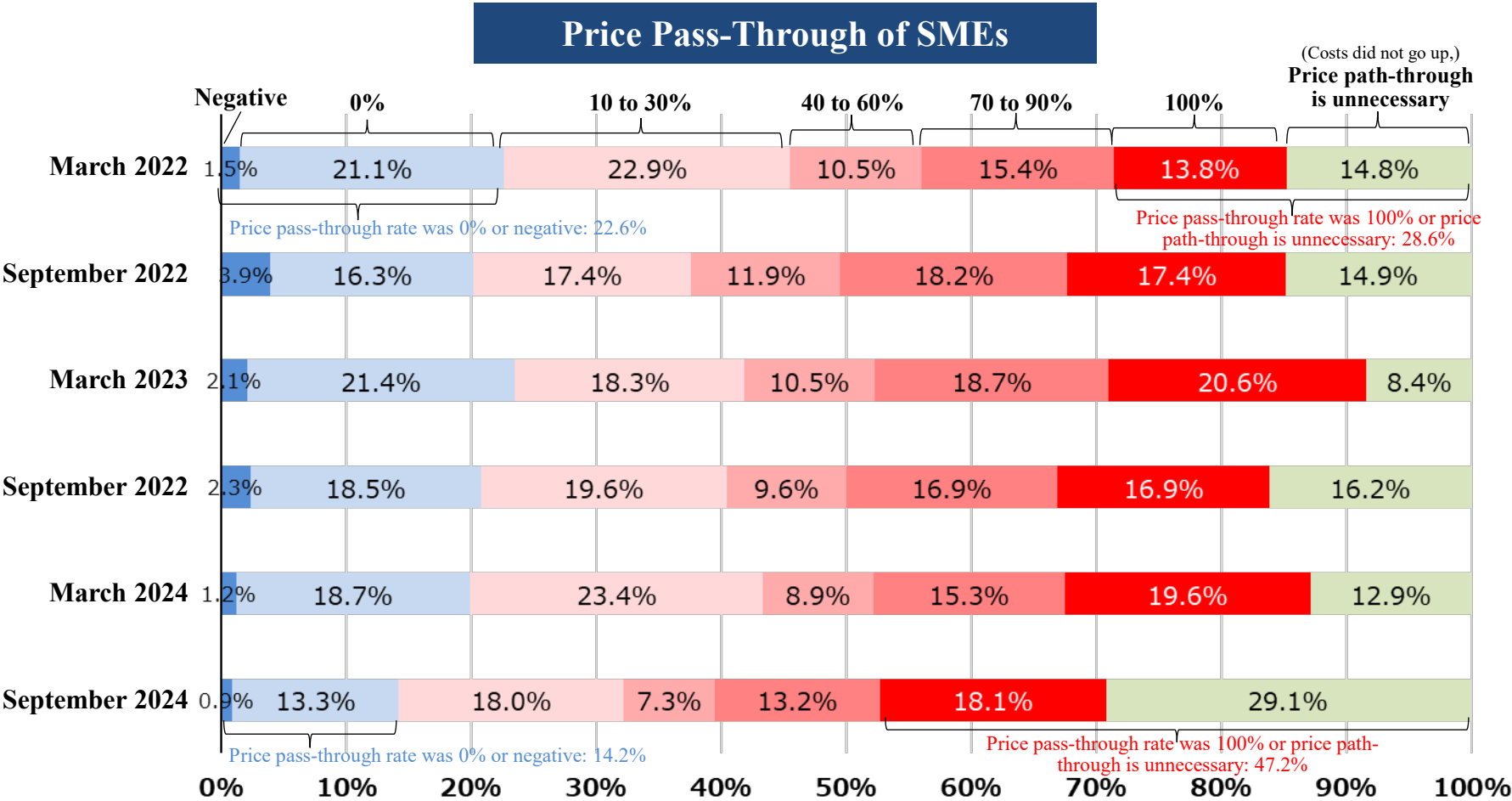


(Note) Real wages (vertical axis) are calculated by dividing the wage income of employees (real value) by the number of employees and multiplying by "average working hours of regular workers/average working hours of all workers."  
In other words, it shows the trend without the effect of the change in the average working hours of workers. Private capital investment (horizontal axis) is the real value of private capital investment excluding dwellings.

(Source) Created based on the materials by the Ministry of Economy, Trade and Industry (METI) (original data is from OECD Data Explorer).

# Price Pass-Through of SMEs

- According to a survey conducted by the Small and Medium Enterprise Agency (SMEA), the percentage of SMEs that responded "Price pass-through rate was 100% (all costs were passed on to the price)" or "(costs did not go up,) price path-through is unnecessary" rose from 28.6% as of March 2022 to 47.2% as of September 2024.
- On the other hand, the proportion of enterprises that responded "Price pass-through rate was 0% (unable to pass on prices at all)" has decreased (from 22.6% to 14.2%) but such enterprises still remain, and thorough measures to pass on prices are necessary.



(Note) The data was compiled based on the results of a questionnaire survey conducted on 300,000 SMEs from April to the end of September each year (51,282 enterprises responded to the September 2024 survey).

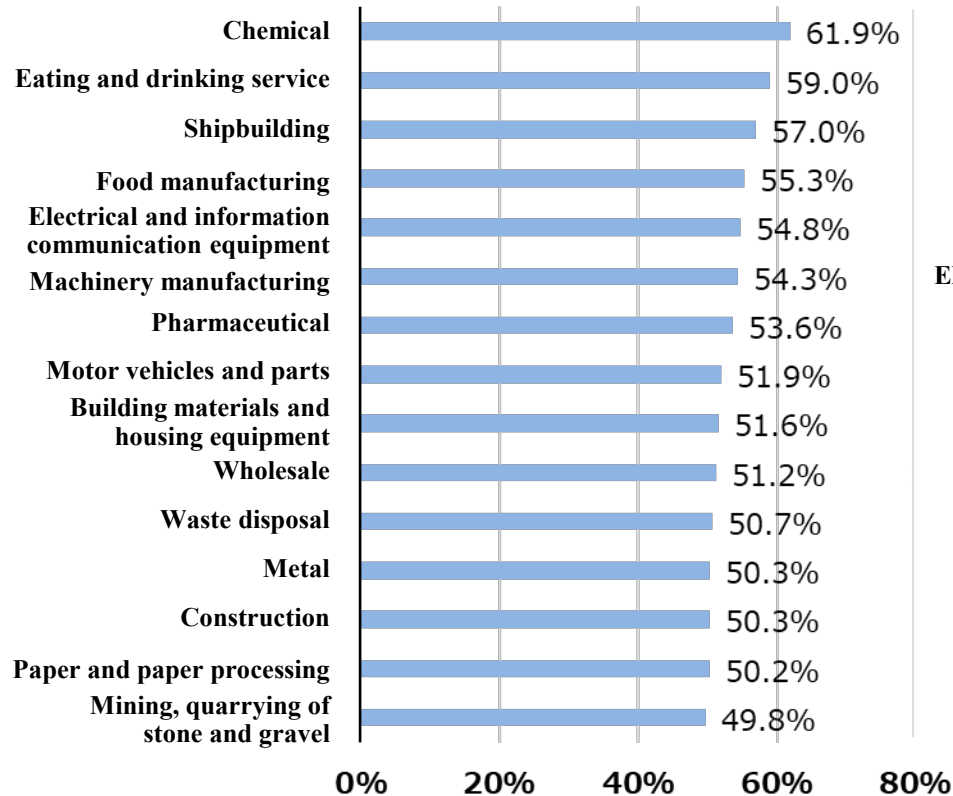
(Source) Created based on SMEA "Price Negotiation Month Follow-up Survey."

# Price Pass-Through Rate by Industry (September 2024)

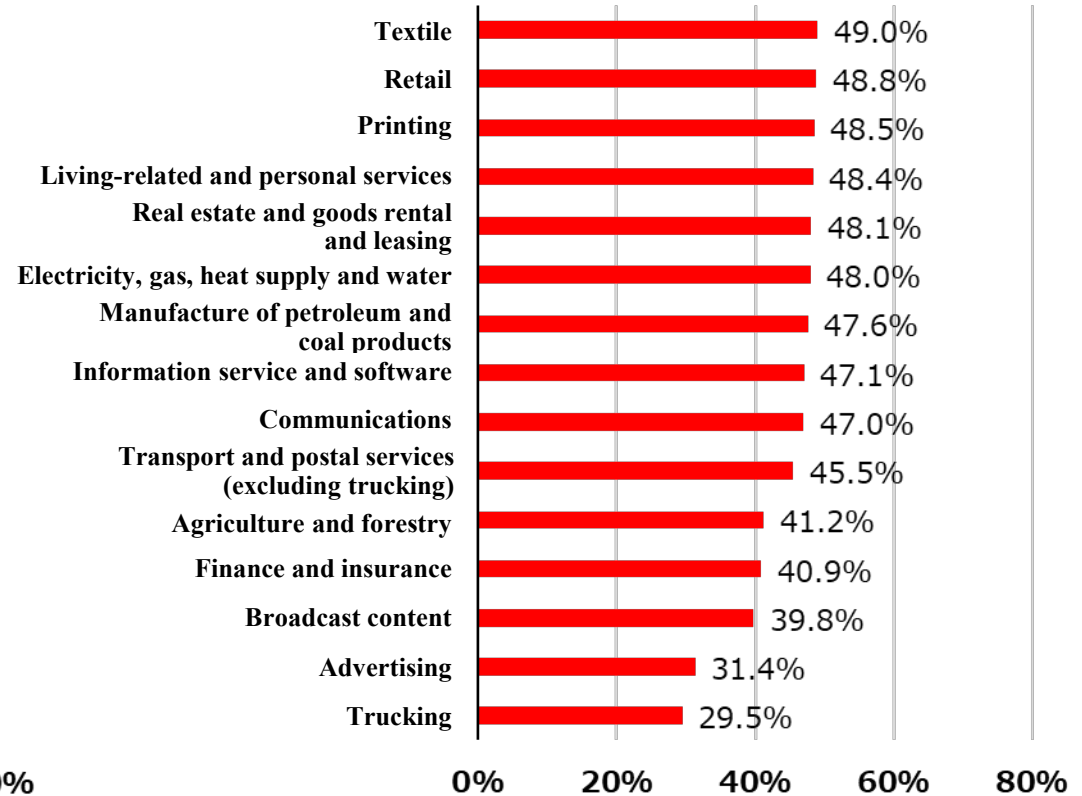
- According to the September 2024 survey, the average price pass-through rate by industry was high in chemical (61.9%), eating and drinking service (59.0%), shipbuilding (57.0%), food manufacturing (55.3%), and electrical and information communication equipment (54.8%).
- On the other hand, some industries have low price-pass-through rates, such as trucking (29.5%), advertising (31.4%), broadcast content (39.8%), finance and insurance (40.9%), and agriculture and forestry (41.2%), therefore, further efforts are needed to strengthen enforcement of the Subcontract Act in cooperation with the competent ministries and agencies.

## Price Pass-Through Rate by Industry (September 2024)

Higher than the Average for All Industries (49.7%)



Lower than the Average for All Industries (49.7%)



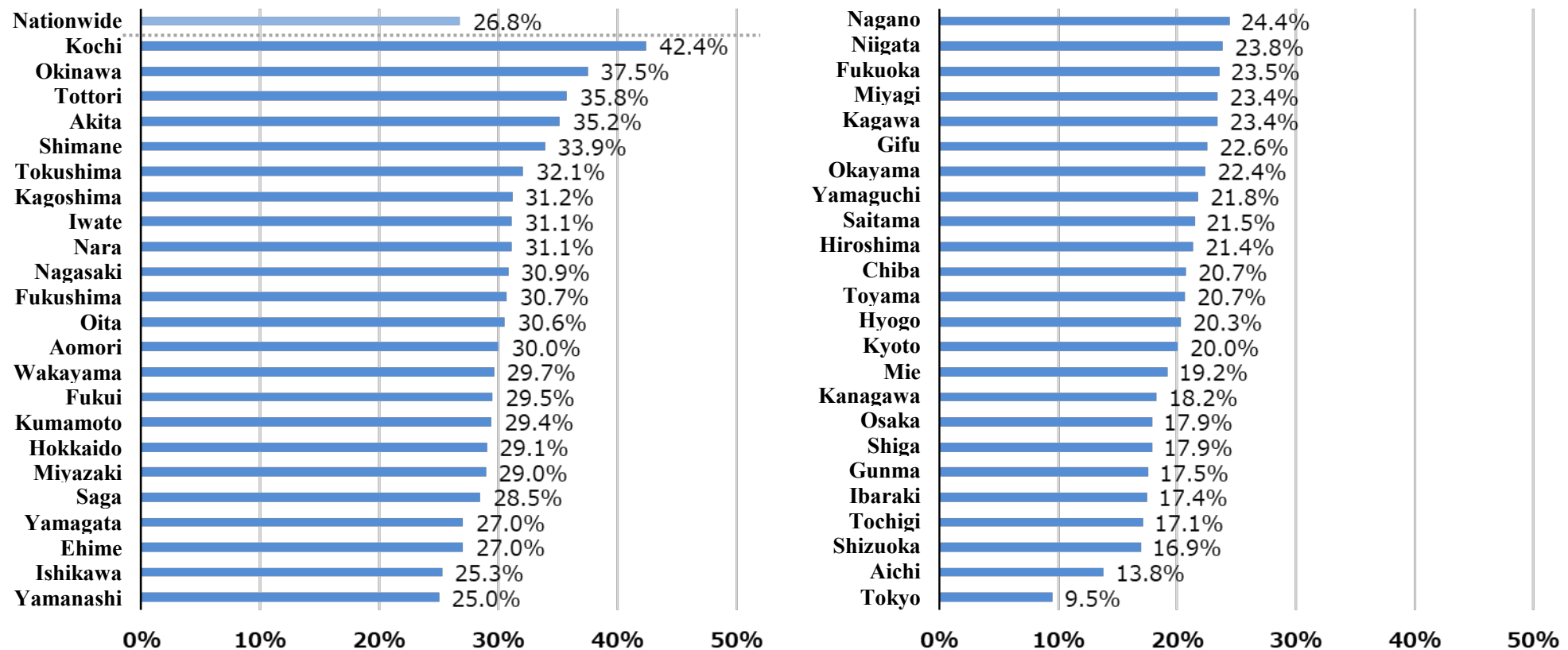
(Note) The data was compiled based on the results of a questionnaire survey conducted on 300,000 SMEs from April to the end of September each year (51,282 enterprises responded to the September 2024 survey).

(Source) Created based on SMEA "Price Negotiation Month Follow-up Survey."

# Public Demand as a Percentage of Prefectural GDP

- Of Japan's gross domestic product (554.6 trillion yen) in FY 2021, public demand (government final consumption, public fixed capital, etc.) accounted for 148.5 trillion yen. They account for 26.8% of the total and play an important role in the Japanese economy.
- The proportion of public demand in a prefecture's GDP is higher in rural areas, such as Kochi (42.4%), Okinawa (37.5%), Tottori (35.8%), Akita (35.2%), and Shimane (33.9%), making demand from government agencies an important part of the local economy.

## Public Demand as a Percentage of Prefectural GDP (FY 2021)



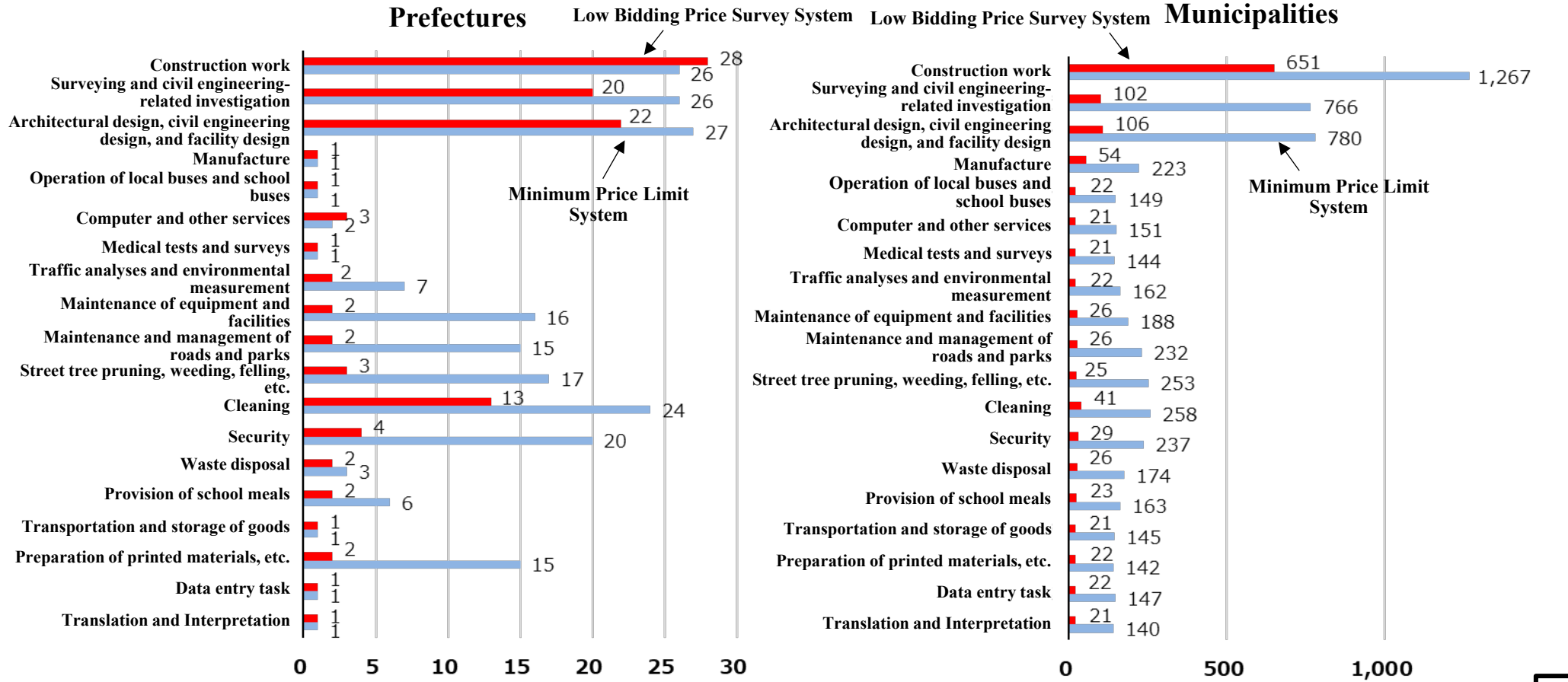
(Note) Figures for prefectures are calculated by dividing "public demand" (sum of "final consumption expenditures by local governments, etc.," "public fixed capital formation," and "changes in public inventories") by gross prefectural domestic product. The nationwide figure is calculated by dividing "public demand" (sum of "government final consumption expenditure," "public fixed capital formation" and "changes in public inventories") by GDP. Each figure is nominal value.

(Source) Created based on the Cabinet Office "Prefectural Accounts" (each prefecture), and the Cabinet Office "System of National Accounts (SNA)" (nationwide).

# Number of Local Governments that Have Introduced the Low Bidding Price Survey System or the Minimum Price Limit System

- Regarding government contracts in local governments, it is possible to introduce the Low Bidding Price Survey System and the Minimum Price Limit System (a system in which a minimum price limit is set in advance and the successful bidder is the one with the lowest price among the offers at or above that price).
- With regard to these systems, all prefectures and about 95% of municipalities have introduced the Low Bidding Price Survey System and the Minimum Price Limit System. However, the introduction of the system for contracts other than construction contracts has not progressed, especially in municipalities.

## Number of Local Governments That Have Introduced the Systems

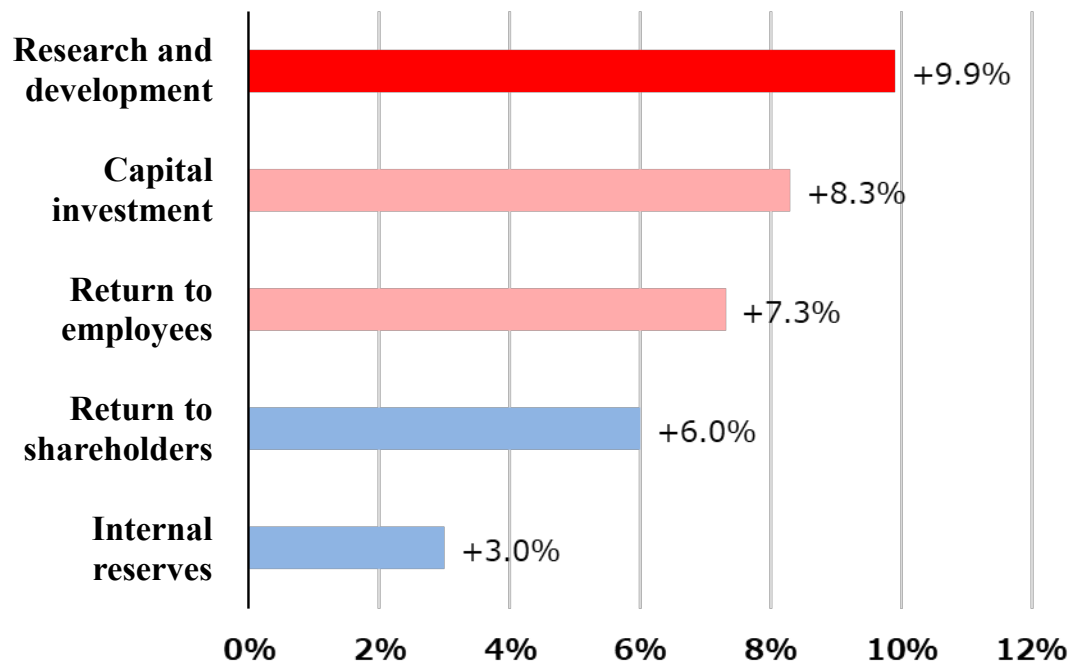


(Source) Created based on the Ministry of Internal Affairs and Communications (MIC) "Results of Survey on Low Bid Price Survey System and Lowest Price Limit System" (January 2025).

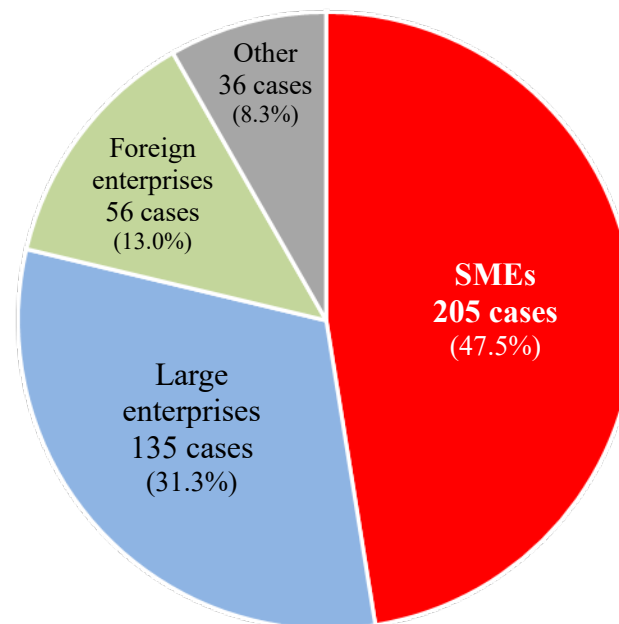
# Importance of R&D Investment and Intellectual Property in SMEs

- SMEs that cite R&D investment as "the main use of profits" tend to grow their sales significantly more than those that cite "return to shareholders" or "internal reserves."
- SMEs account for 47.5% of rights holders in intellectual property lawsuits (patent infringement lawsuits) in Japan. Furthermore, while intellectual property infringement is premised on "taking the right back through litigation when infringed," some say that SMEs, which lack sufficient funds and human resources, hesitate to file lawsuits in the first place and unwillingly bear the infringement silently.
- It is necessary to promote the use and protection of intellectual property held by SMEs.

**Sales Growth Rate of SMEs by Major Use of Profits (Median Value)**



**Breakdown of Right Holders in Intellectual Property Lawsuits (Patent Infringement Lawsuits)**



(Note) It should be noted that the "number of lawsuits" here refers to the number of judgments examined by the Japan Patent Office (JPO) based on judgments (patent infringement cases, from January 1, 2009 to December 31, 2018) posted on the Courts in Japan website and does not necessarily represent the actual number of lawsuits.

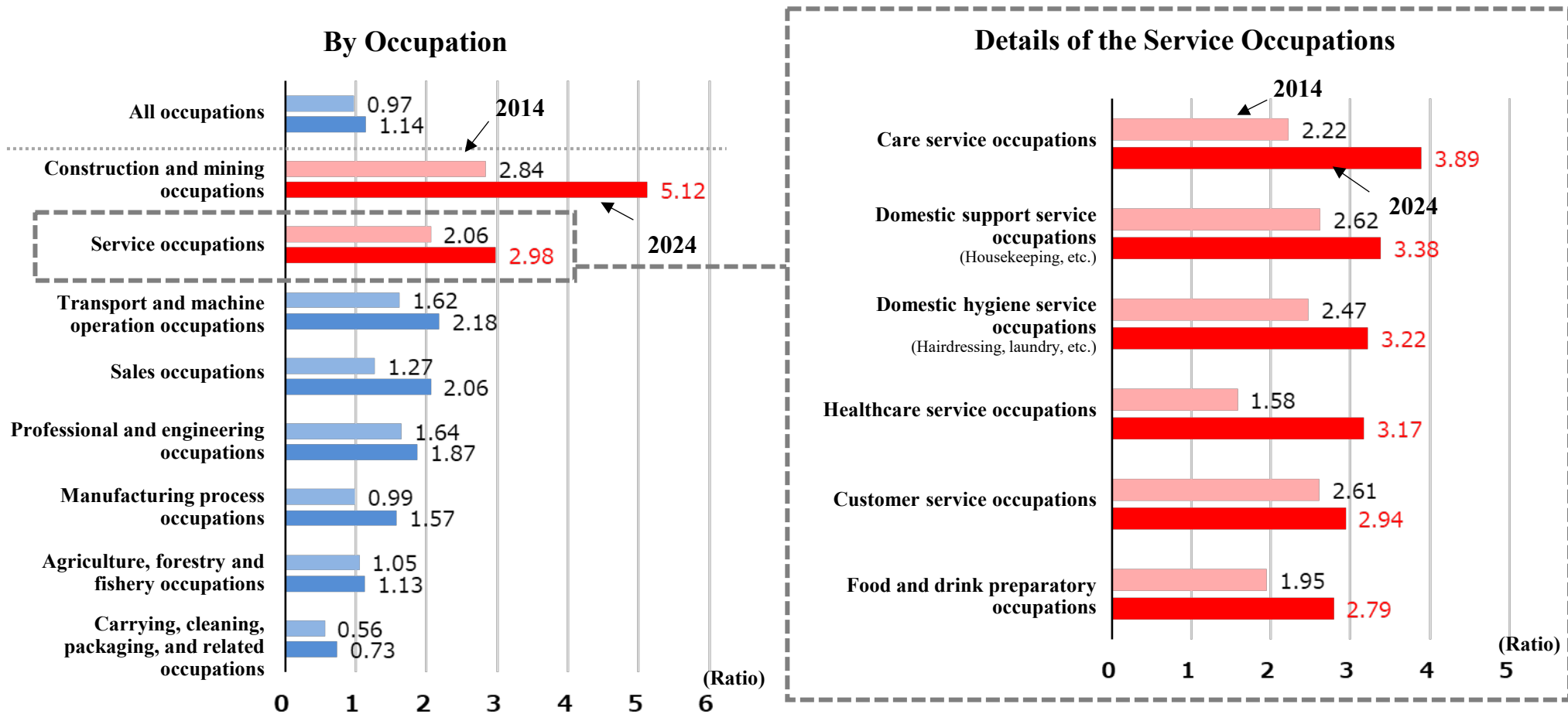
(Source) Created based on SMEA "2022 White Paper on Small and Medium Enterprises in Japan," the Japan Chamber of Commerce and Industry (JCCI) and the Tokyo Chamber of Commerce and Industry "Opinions on Intellectual Property Policy," and JPO "Designing an Intellectual Property Dispute Settlement System for Effective Rights Protection."



# Trends in the Active Job Openings-to-Applicants Ratio by Occupation

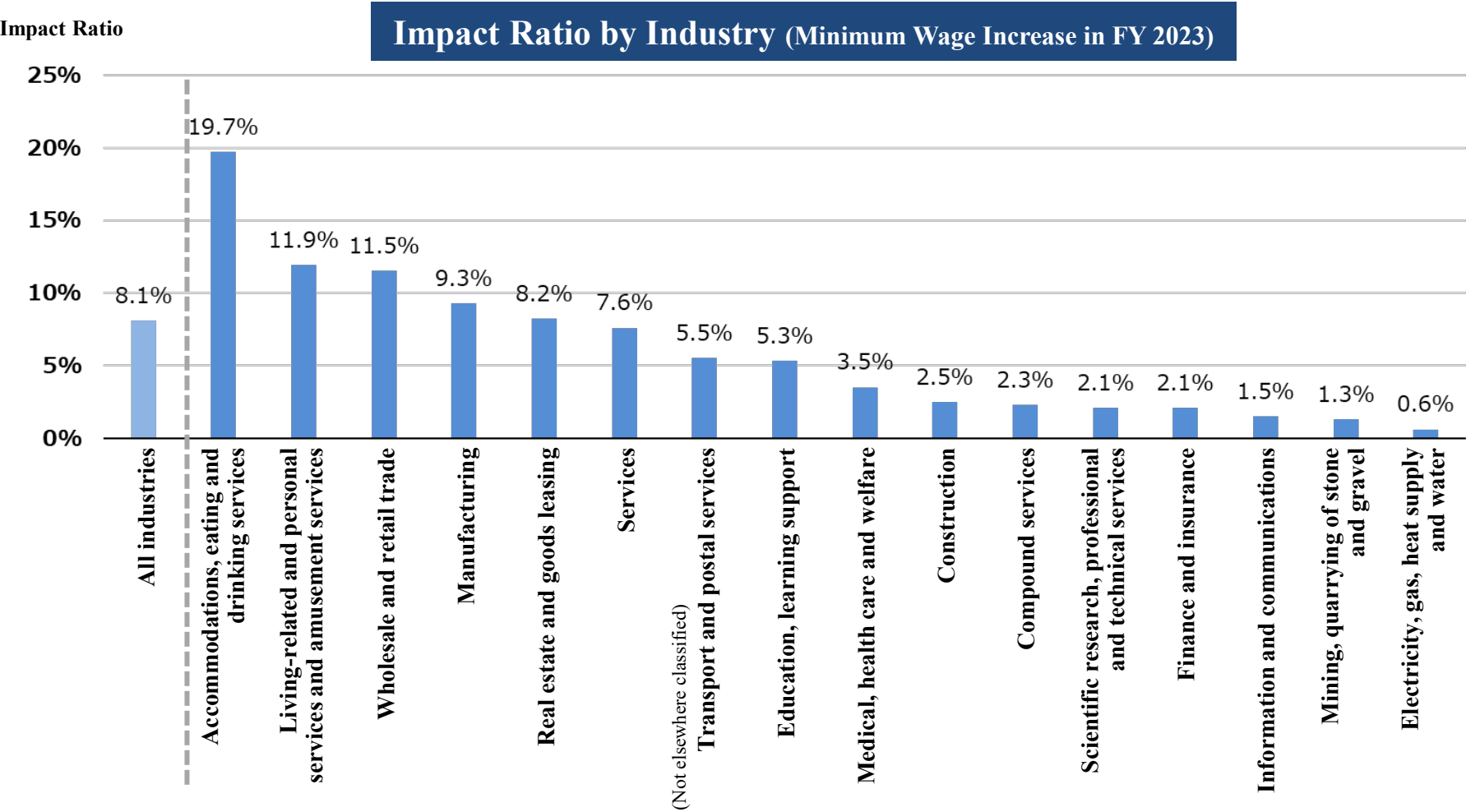
- The active job openings-to-applicants ratio (value that the number of active job openings divided by the number of active applicants) rose to 1.14 from 0.97 in 2014. With the active job openings-to-applicants ratio exceeding 1 in a wide range of occupations, the labor shortage is becoming serious.
- The labor shortage was particularly severe in such as construction and mining (5.12) and services (2.98). Among service workers, the active job openings-to-applicants ratio was high for services such as care (3.89) and domestic support (3.38).

## Trends in the Active Job Openings-to-Applicants Ratio by Occupation



# Minimum Wage Impact Ratio by Industry

- The national average of the impact ratio (proportion of workers who, without a wage increase, would be paid less than the minimum wage after the increase for the year) of the minimum wage increase in FY 2023 was 8.1% (the average for all enterprises including large companies).
- The industries with the highest impact ratio are accommodations, food and beverage services (19.7%), living-related and personal services (11.9%), and amusement services (11.5%), and wholesale and retail trade (11.5%).

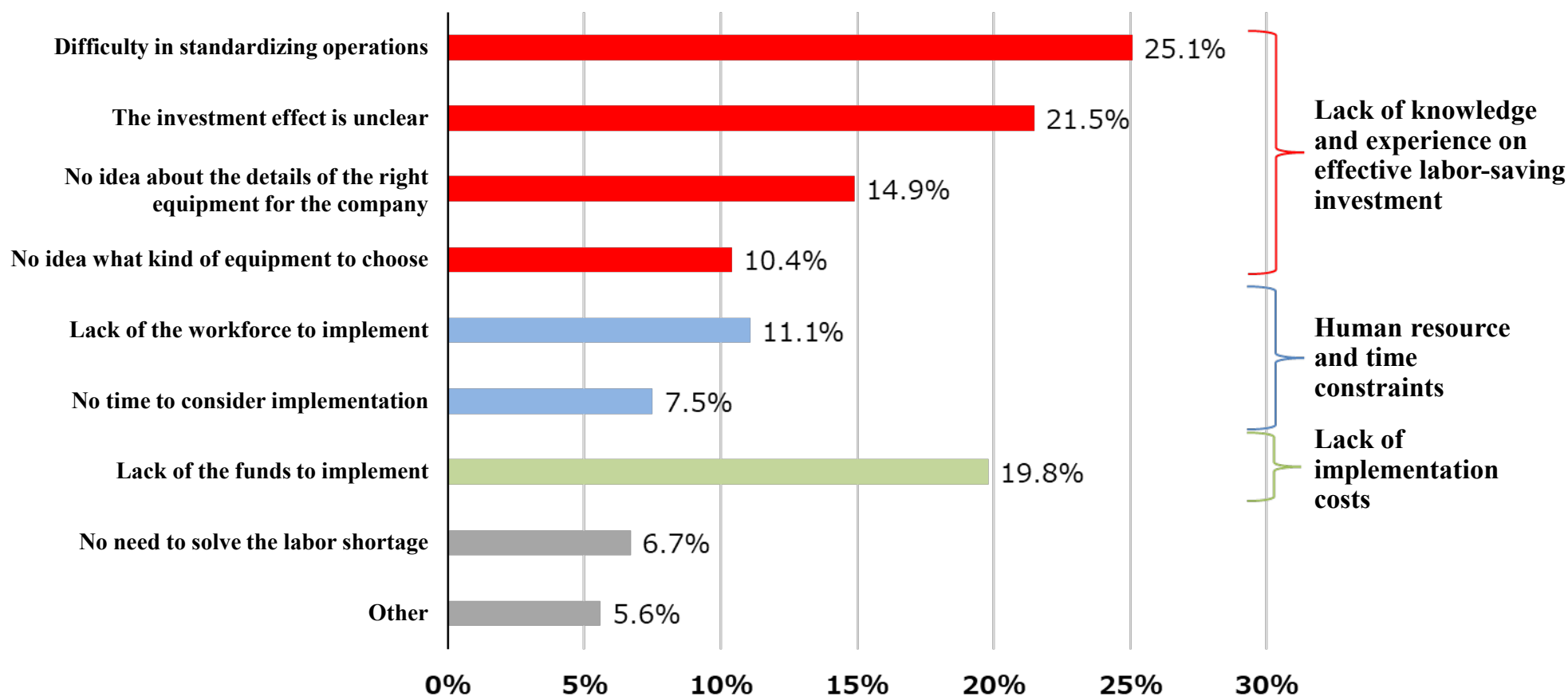


(Note) Proportion of workers earning less than the regional minimum wage in FY 2023 (the national weighted average of 1,004 yen).  
(Source) Created based on MHLW "Status of Labor Shortage, Impact of Minimum Wage, Support Measures for Productivity Improvement, etc." (January 17, 2025).

# Issues in Labor-Saving Investment

- When considering labor-saving investments, many SMEs cited "difficulty in standardizing operations," "the investment effect is unclear," and "lack of the funds to implement."

## Issues in Labor-Saving Investment (Multiple Responses)

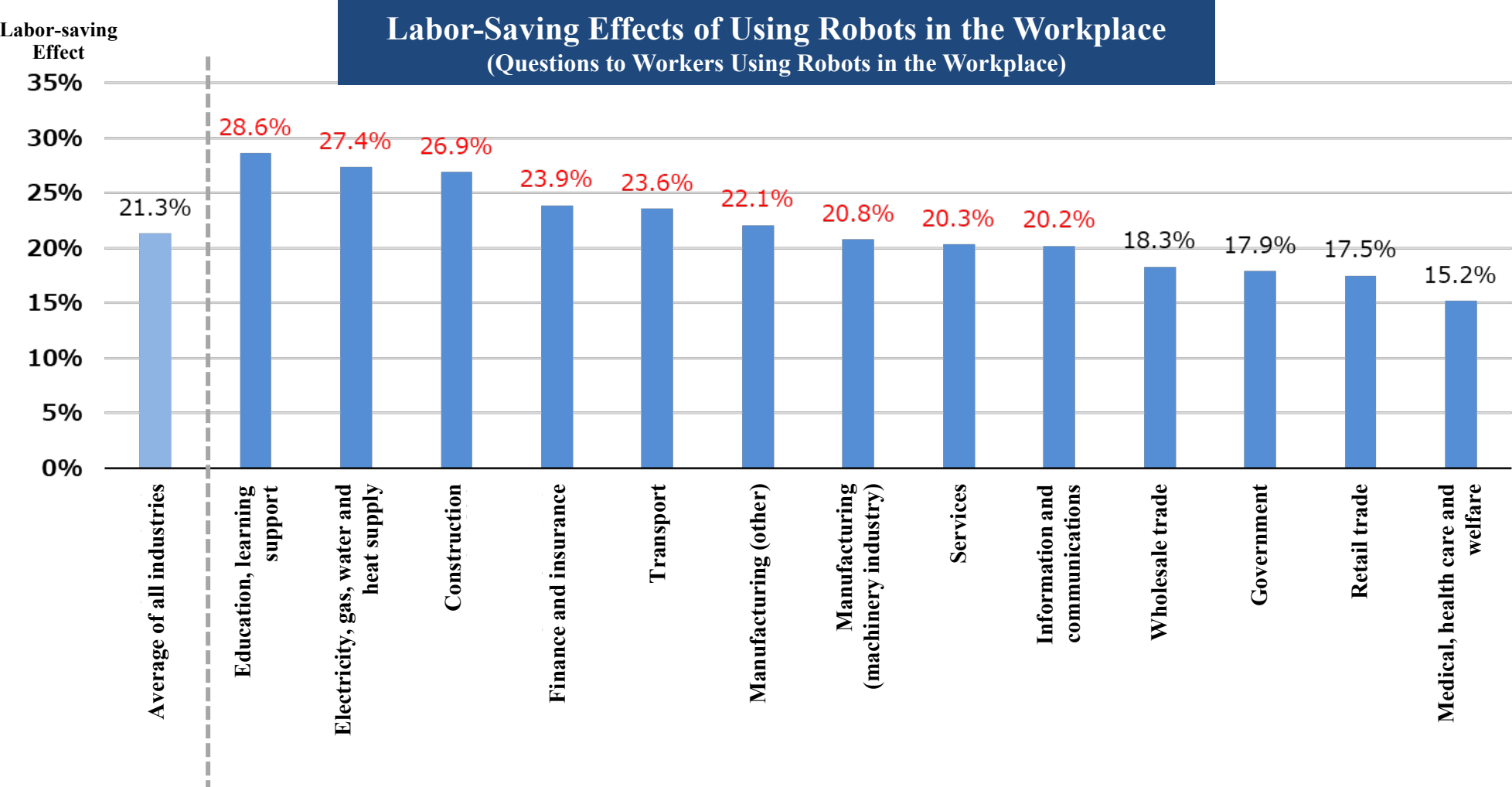


(Note) A total response to the question about "Issues in considering capital investment to address labor shortages" (19,887 enterprises responded).

(Source) Created based on SMEA "2024 White Paper on Small and Medium Enterprises in Japan."

# Labor-Saving Effects of Using Robots in the Workplace

○ When workers using robots (industrial robots and service robots) in their workplaces were asked about the labor-saving effects of the introduction of robots, many industries, including the service industry, recognized the effect of reducing about 20% of work in the entire workplace.



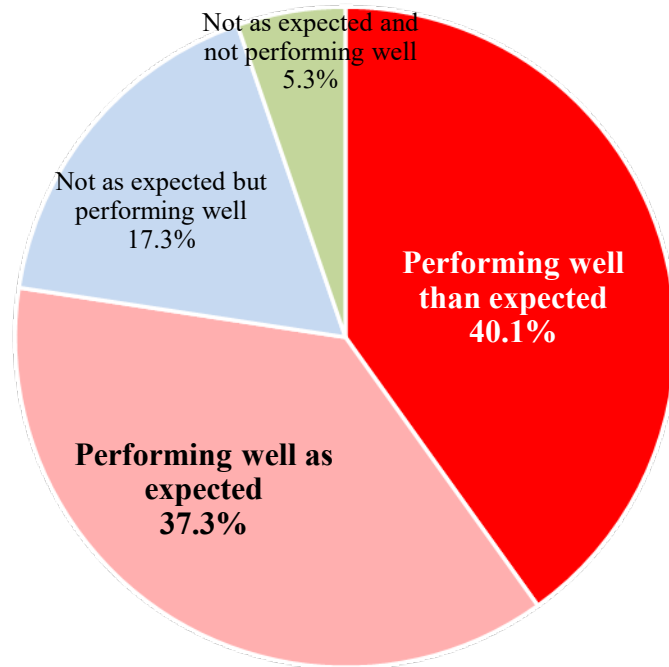
(Note) In October 2024, 12,763 workers aged 20 or over were asked about the labor-saving effects of the use of robots (compared with those without robots) (8,633 people responded). The robot here refers to either an industrial robot or a service robot. In the case of industrial robots only, the labor-saving effects were 22.1%, and in the case of service robots only, 19.5%.

(Source) Created based on Masayuki Morikawa "Macroeconomic Impact of Artificial Intelligence and Robots on Productivity: An estimate from a survey" (RIETI Discussion Paper Series 24-J-033).

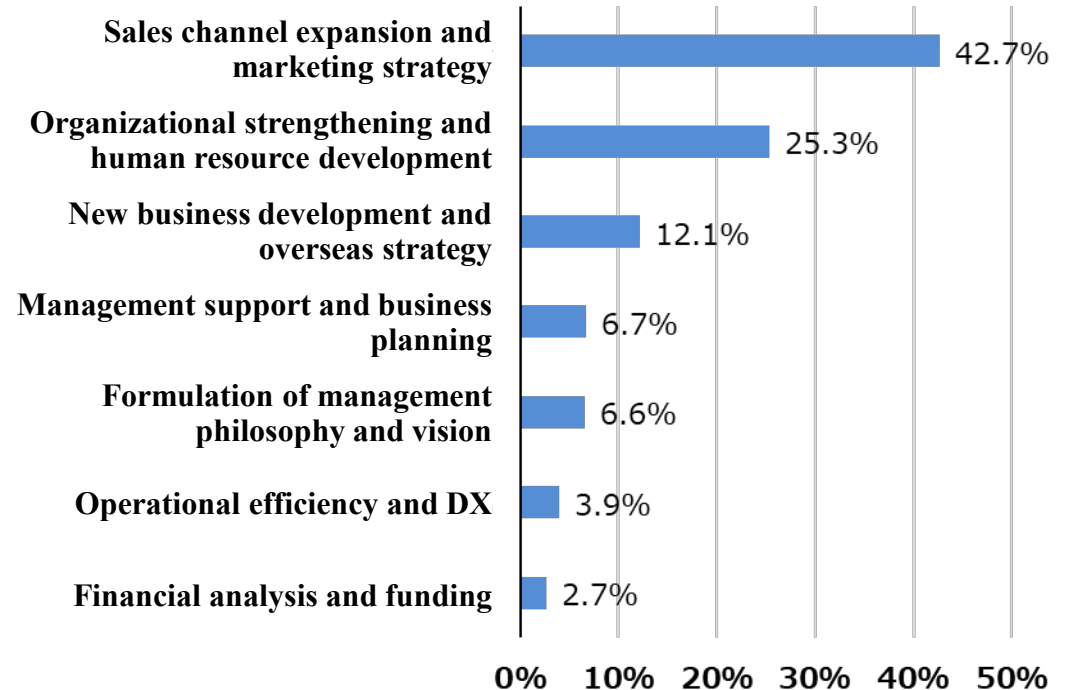
# Status of Regional Management Personnel

- The "Tottori Weekly Vice President Project," which Tottori Prefecture is implementing, matches enterprises in the prefecture with human resources from urban areas, and has the urban human resources engage in corporate management about once a week as "vice presidents" of enterprises in Tottori Prefecture in the form of a side/concurrent job (an initiative in the "Professional Human Resources Project").
- 80% of the accepting enterprises highly rated the "weekly vice president" who was hired for the project as "performing beyond and as expected." They are active in various fields such as sales channel expansion and marketing, organizational strengthening, and new business development.

## Performances of Weekly Vice Presidents (Survey of Accepting Enterprises, Single Response)



## Missions at the time of hiring "Weekly Vice Presidents" (Survey of Accepting Enterprises, Single Response)



(Note) Questionnaire survey of 143 enterprises in Tottori Prefecture that had accepted the position of "weekly vice presidents" by FY 2023 (75 enterprises responded).

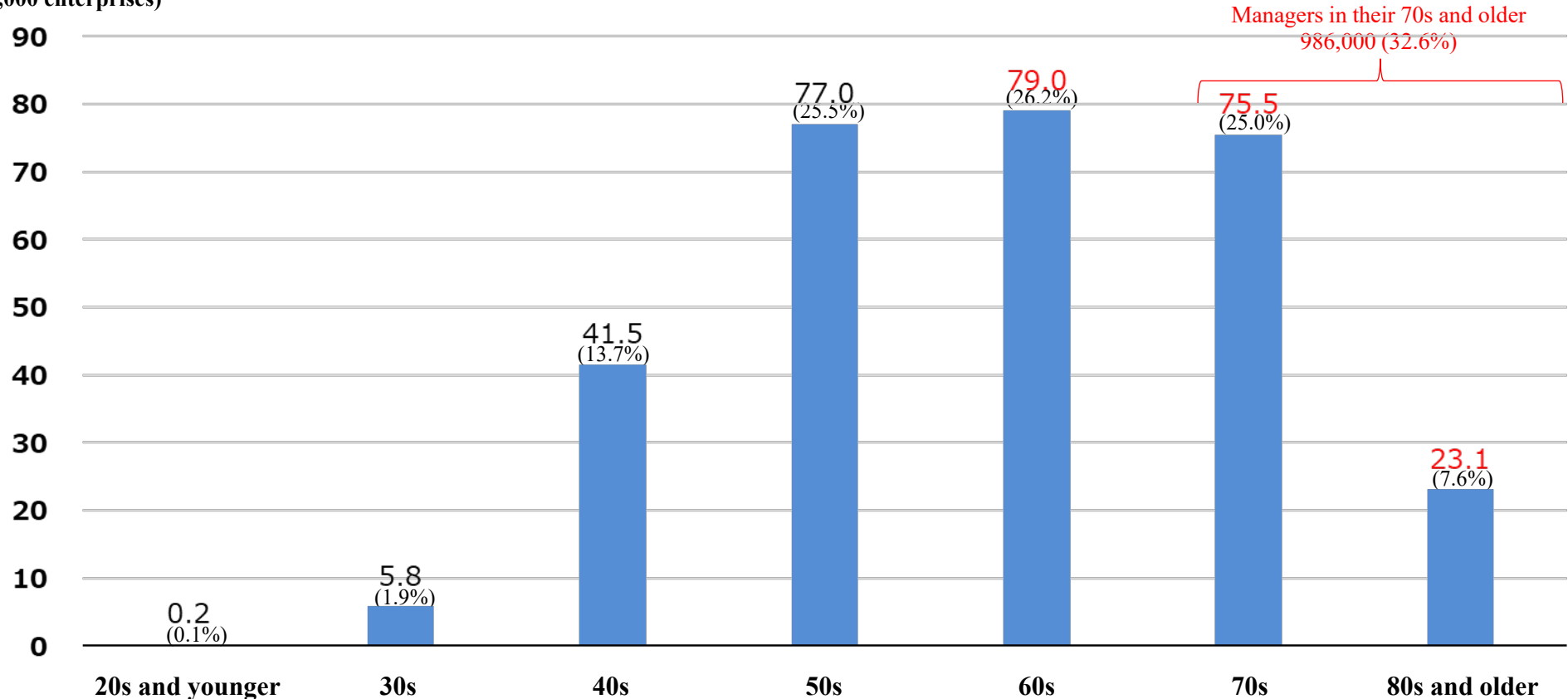
(Source) Created based the Tottori Professional Human Resources Strategy Base "Weekly Vice President Project Weekly Side/Concurrent Job in Tottori."

# Distribution of Managerial Age in the Number of SMEs and small business

- As for the number of SMEs and small business, managers in their 60s accounted for the largest number, with 790,000.
- In addition, the number of enterprises with managers aged 70 or over was 986,000 (755,000 in their 70s, 231,000 in their 80s and older), indicating that there are many people in need of business succession.

## Distribution of the Number of SMEs and Small Businesses by Age of Manager (As of June 2023)

(10,000 enterprises)



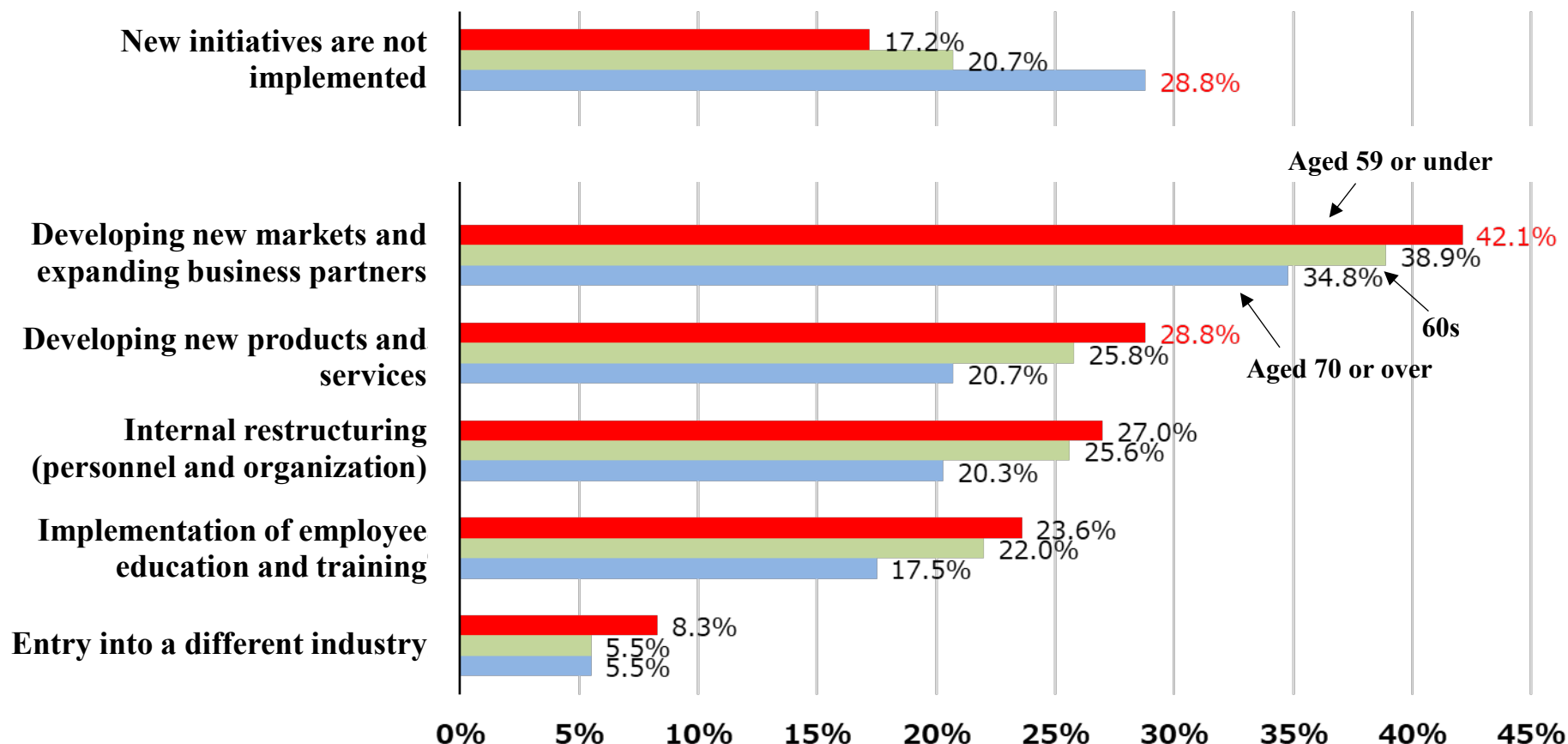
(Note) 3,022,000 in total. The survey covered construction, manufacturing, information and communications, transport and postal services, wholesale and retail trade, real estate and goods rental and leasing, scientific research, professional and technical services, accommodations and eating and drinking services, living-related and personal services and amusement services, and services (not elsewhere classified).

(Source) Created based on SMEA "Basic Survey on Small and Medium Enterprises" (2023 Final Report (Performance Results Based on the FY 2022 Closing Accounts))" (published on July 30, 2024).

# New Initiatives in Projects by Age of Representative

- Enterprises with managers aged 70 or over account for the largest share (28.8%) of enterprises that are not implementing new initiatives.
- Younger managers, on the other hand, tend to undertake new initiatives such as developing new markets and expanding business partners (42.1%) and developing new products and services (28.8%).

## New Initiatives in Projects by Age of Representative (Multiple Responses)



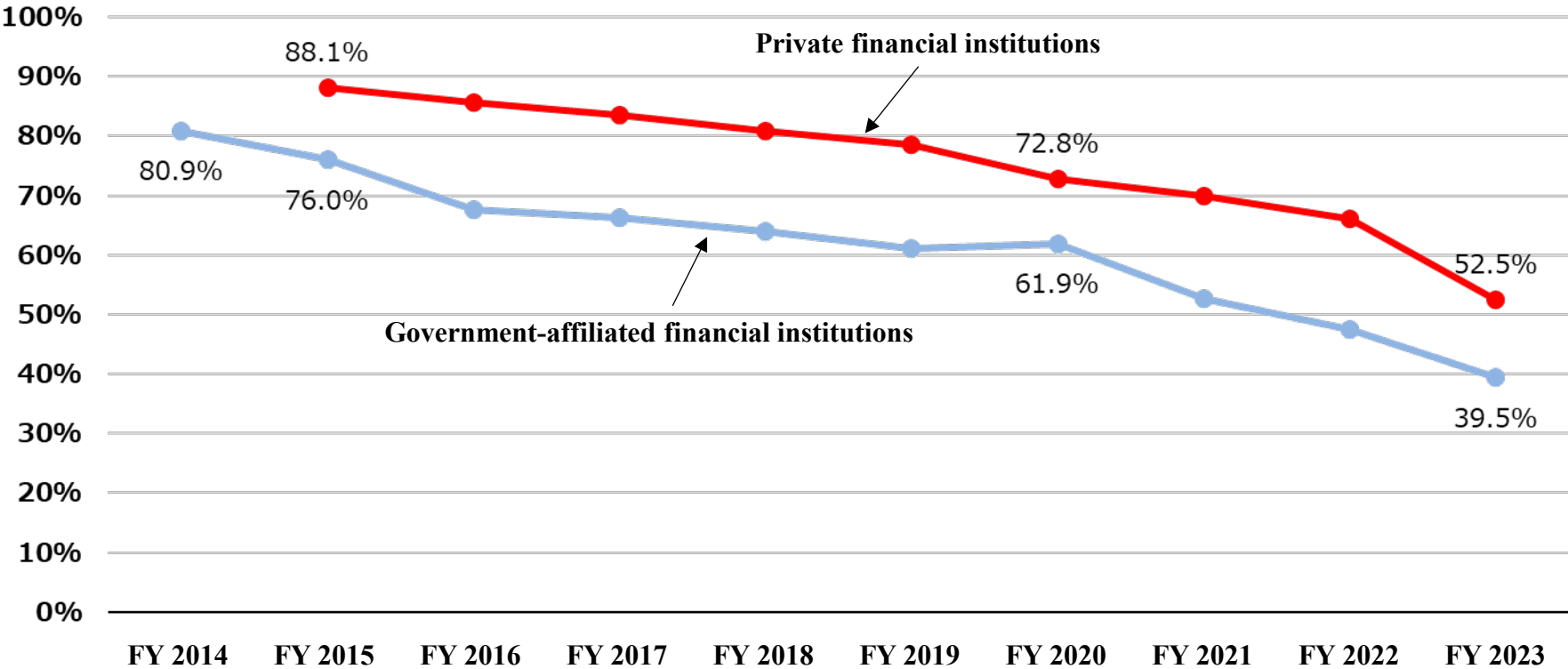
(Note) Results of a questionnaire survey of member companies within the jurisdiction of each Chamber of Commerce and Industry from July 14 to August 10, 2023 (4,062 enterprises responded).

(Source) Created based on JCCI "Questionnaire on Business Succession" (published on March 22, 2024).

# Trends in the Ratio of Loans with Management Guarantees to Total New Loans by Financial Institution

- The Guidelines on Management Guarantee specify that financial institutions should consider the possibility of not requiring a management guarantee if the following requirements are satisfied: (1) the dissolution of the unity between the corporation and the management; (2) the financial condition in which the assets and earnings of the corporation alone can repay the loans; and (3) appropriate disclosure of information to financial institutions.
- Although the proportion of loans with a management guarantee has gradually decreased, 50% of new private sector loans continue to have a management guarantee.

**Trends in the Ratio of Loans with Managerial Guarantees to Total New Loans by Financial Institution**



(Source) Created based on SMEA "Statistical Report on Financing for Enterprises by the Government-Affiliated Financial Institutions Utilizing the 'Guidelines on Management Guarantee,'" and the Financial Services Agency "Statistical Report on Financing for Enterprises by Financial Institutions in the Private Sector Utilizing the 'Guidelines for Personal Guarantee Provided by Business Owners.'"



# Indicators of Foreign Minimum Wages

- In the EU Directive, 60% of the gross median wage and 50% of the gross average wage are given to member states as reference indicators for setting minimum wages.

## EU Directive ("Directive on Adequate Minimum Wages")

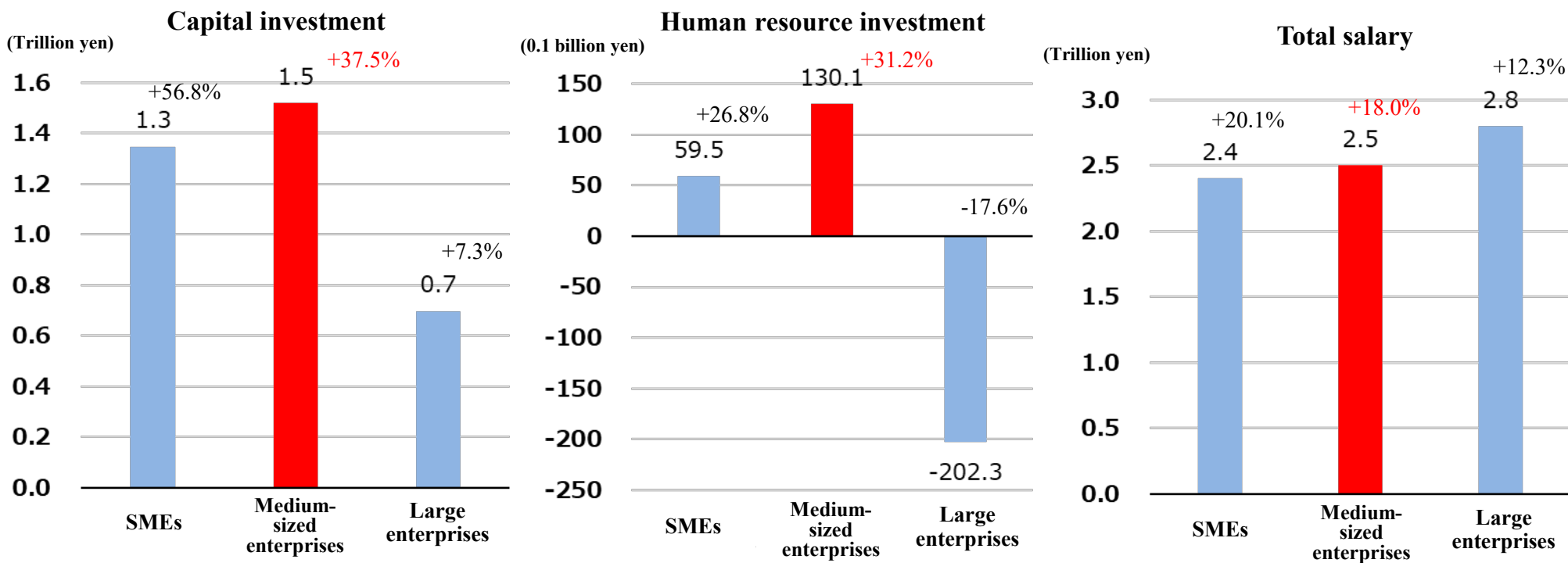
\*Enacted in October 2022 and enforced in November of the same year.

4. Member States shall use indicative reference values to guide their assessment of **adequacy of statutory minimum wages**. To that end, **they may use** indicative reference values commonly used at international level such as **60% of the gross median wage and 50% of the gross average wage**, and/or indicative reference values used at national level.

# Capital Investment, Human Resource Investment, and Total Salary Growth over 10 Years in Medium-Sized Enterprises

- There are approximately 9,000 medium-sized enterprises ((1) employing 2,000 or fewer employees at any given time, and (2) that are not SMEs (for example, enterprises with 301 to 2,000 employees in the manufacturing industry). These enterprises have steadily increased capital investment, human capital investment, and wage increases, contributing significantly to the growth of the domestic economy.

## Capital Investment, Human Resource Investment, and Total Salary Growth over 10 Years in Enterprises (Changes between FY 2011 and FY 2021)



[Estimates of the Number of Enterprises\*]: SMEs: approximately 3.36 million; **medium-sized enterprises: approximately 9,000**; large enterprises: approximately 1,300

\* Re-edited "2021 Economic Census for Business Activity" by METI and MIC

Corporations other than enterprises, and agriculture, forestry and fisheries are not included. The classification of enterprises is based on the definition of enterprises treated as SMEs in the Small and Medium-Sized Enterprise Basic Act, laws and regulations related to SMEs, and the Act on Strengthening Industrial Competitiveness.

(Note 1) Small and medium-sized enterprises (SMEs): SMEs defined by the Small and Medium-Sized Enterprise Basic Act (enterprises and individuals that meet one of the following criteria: ((1) manufacturing and others: capital of 300 million yen or less and employees of 300 or less, (2) wholesale trade: capital of 100 million yen or less and employees of 100 or less, (3) services: capital of 50 million yen or less and employees of 100 or less, (4) retail trade: capital of 50 million yen or less and employees of 50 or less)); medium-sized enterprises: employees of 2,000 or less (excluding SMEs.); large enterprises: employees of 2,000 and more (excluding SMEs.)

(Note 2) Among enterprises that responded to both the FY 2012 and FY 2022 Basic Survey of Japanese Business Structure and Activities (actual results in FY 2011 and FY 2021), this shows the amounts and rates of changes in current acquisition of tangible fixed assets, skill development expenses (expenses for participation in training and study abroad), and total salary after 10 years of those that were SMEs, mid-sized enterprises, and large enterprises as of the FY 2012 survey.

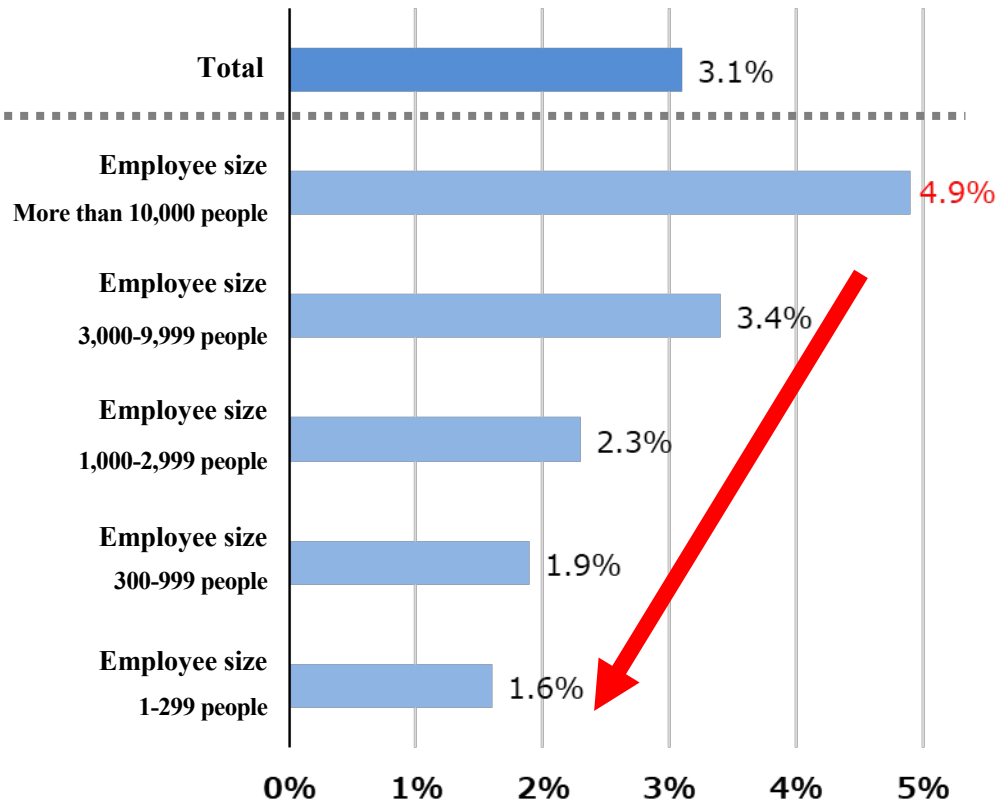
(Source) Created based on the materials by METI (original data is re-edition of METI "Basic Survey of Japanese Business Structure and Activities" (FY 2012 and FY 2022)).

# R&D Investment by Number of Employee (to Sales)

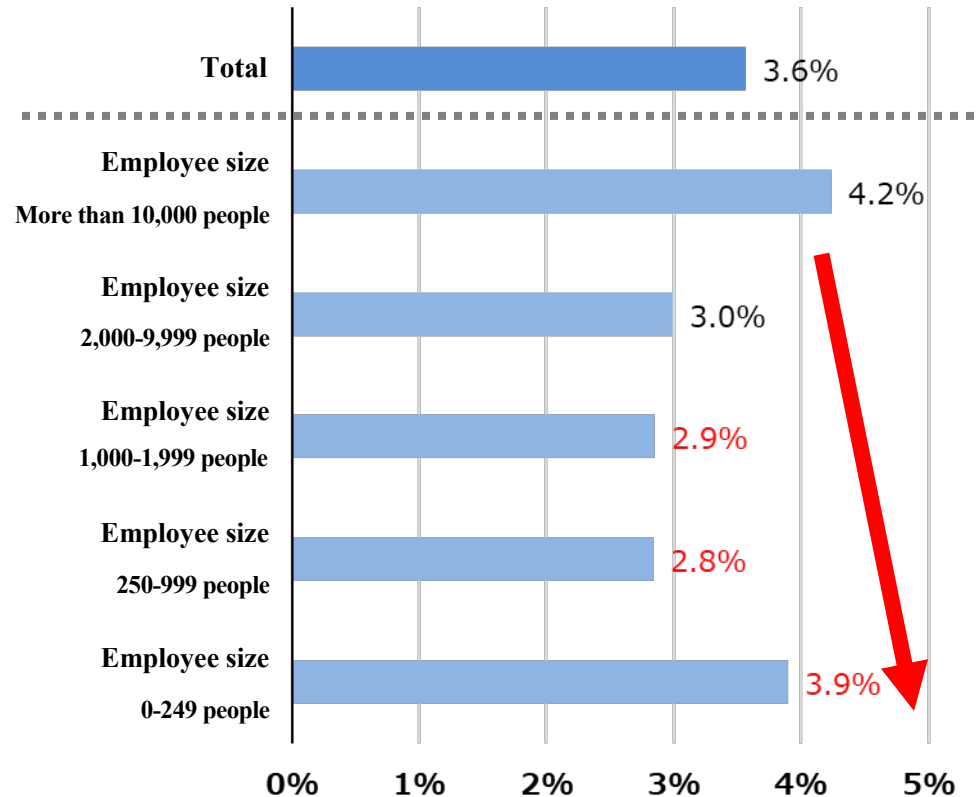
- R&D investment by enterprises in Japan is led by large enterprises with 10,000 or more employees.
- On the other hand, in Germany, R&D investment by medium-sized enterprises and SMEs is also robust, although large enterprises have the largest number.

## R&D Investment by Enterprises by Enterprise Size (to Sales)

**Japan** (FY 2021)



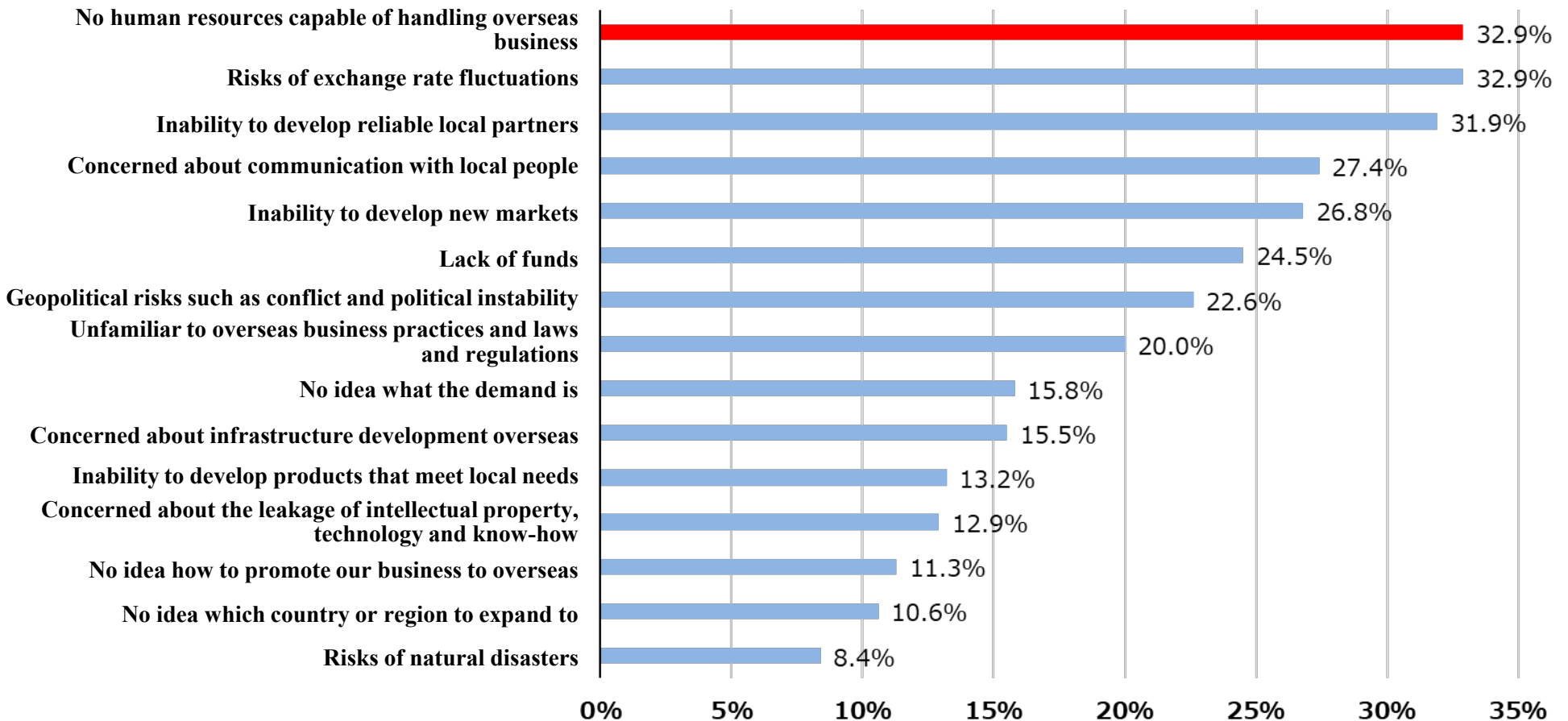
**Germany** (2019)



# Issues that SMEs Face in Overseas Expansion

- When asking SMEs that were either expanding overseas or had a plan or interest in doing so what issues they face in expanding overseas, the most common response, given by 32.9%, was that they had "no human resources capable of handling overseas business."

## Issues in Overseas Expansion (multiple responses)

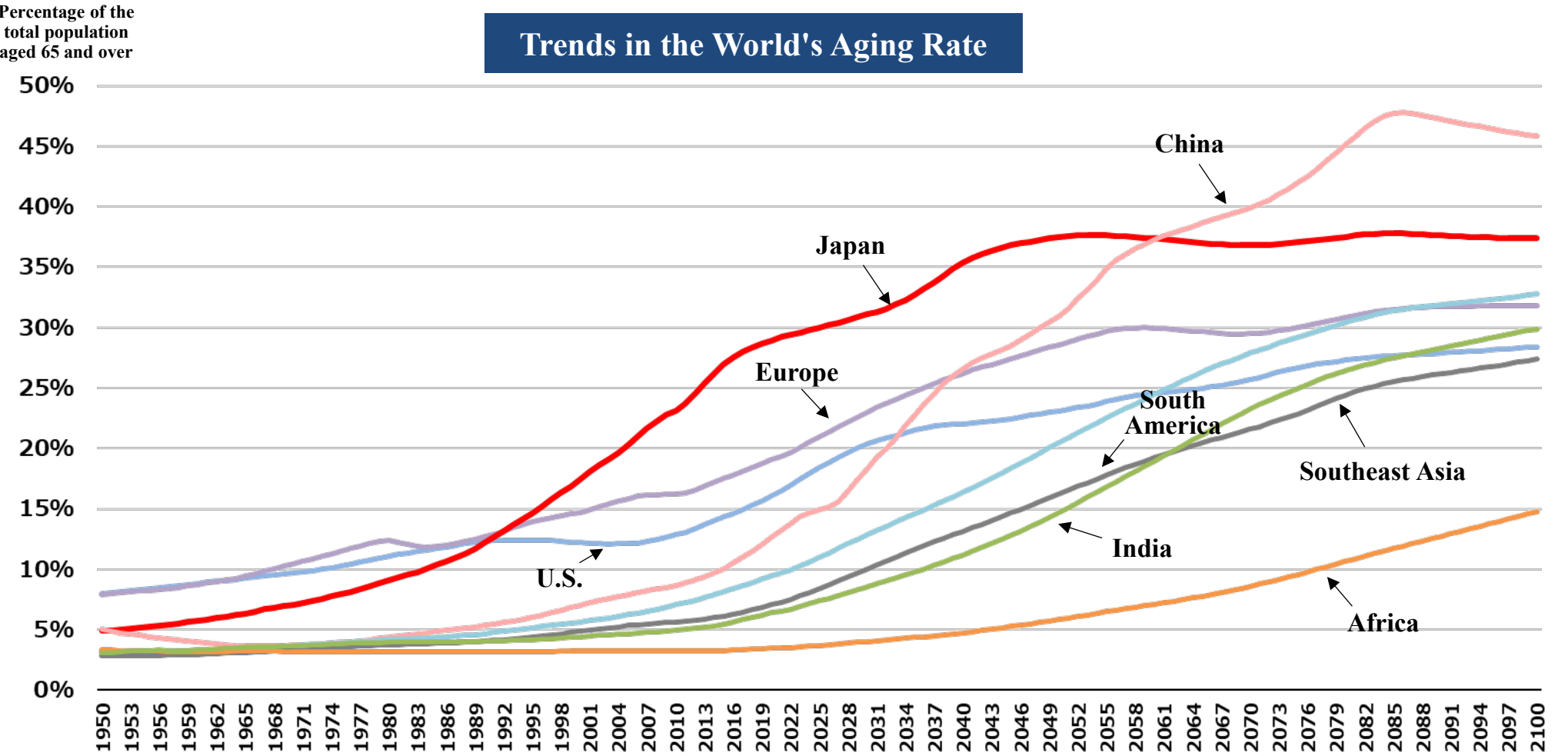


(Note) Results of a questionnaire survey of 1,000 managers and executives of SMEs nationwide conducted from February 6 to 7, 2024 (310 enterprises responded).

(Source) Created based on the Organization for Small & Medium Enterprises and Regional Innovation, Japan "Survey on Overseas Business Expansion by SMEs (2024)."

# Trends in the World's Aging Rate (Percentage of Population Aged 65 or Over)

- Countries with low population aging rates are also expected to rapidly age in the future.
- It is important for Japan to play a role in solving global common social issues, such as healthcare and labor-saving efforts.

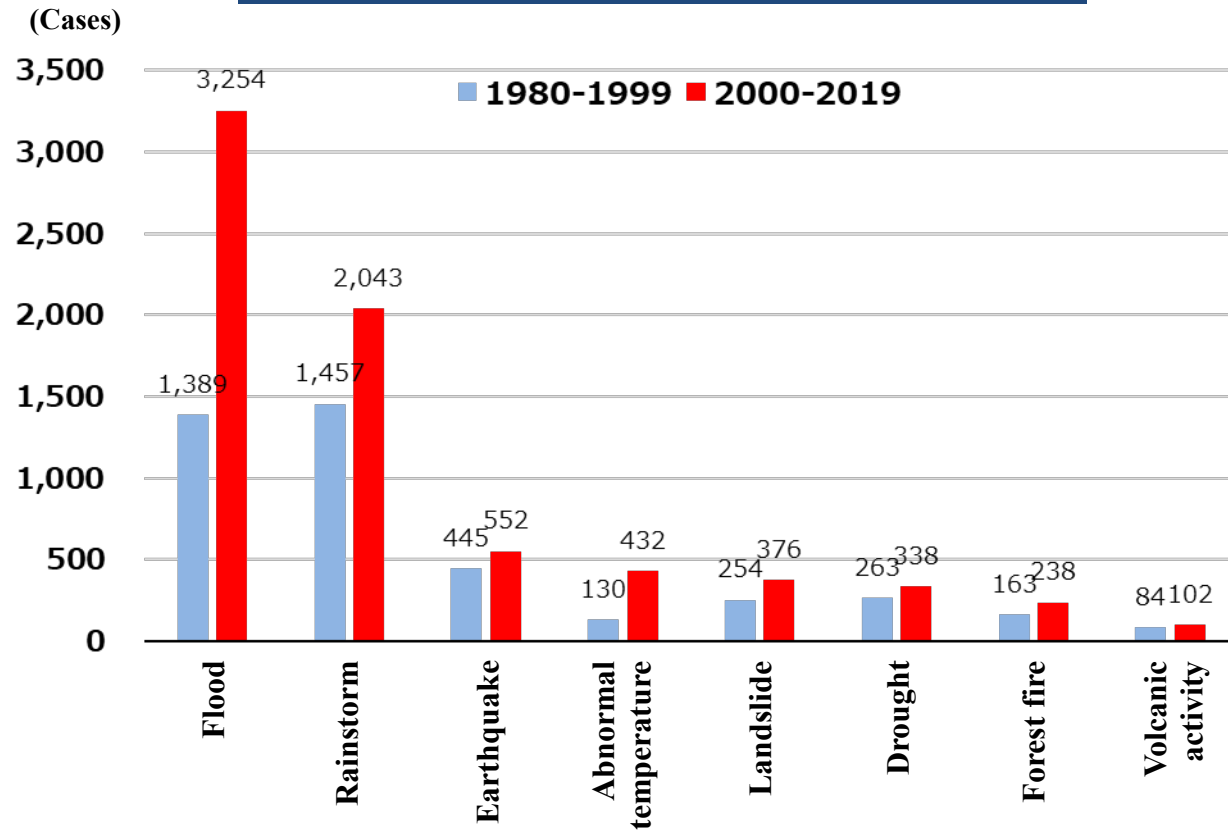


(Note) Population is the median estimate by the United Nations since 2024. The percentage of the population aged 65 and over in the total population.  
(Source) Created based on the United Nations "World Population Prospects 2024."

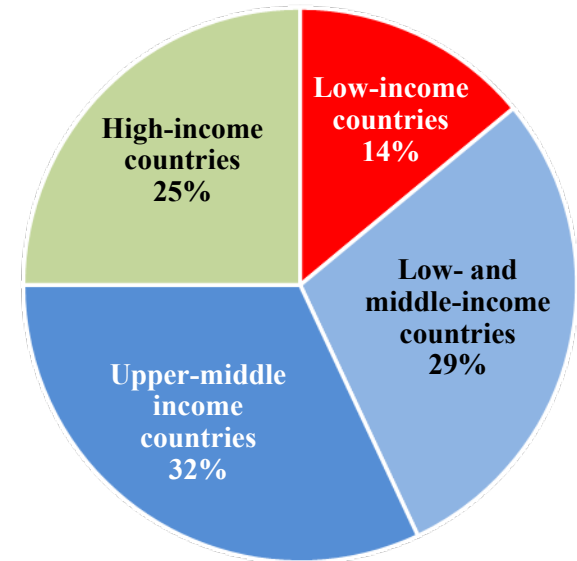
# Number of Natural Disasters in the World

- The number of natural disasters that occurred in the world in the last 20 years (from 2000 to 2019) is on the increase compared to the past (from 1980 to 1999).
- The breakdown shows that the disasters occurred not only in developed countries but also in various countries.

## Number of Natural Disasters in the World



## Breakdown of the Number of Natural Disasters



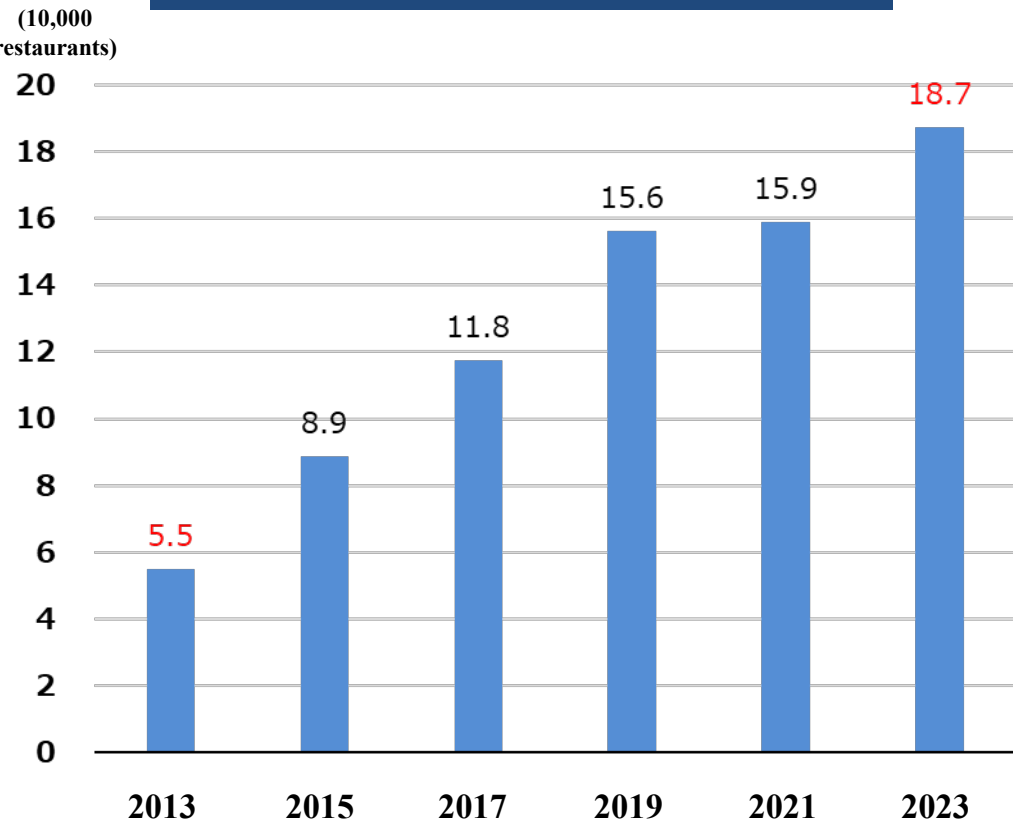
(Note) "Low-income countries" are defined as countries with GNI per capita of \$1,025 or less, "lower-middle-income countries" as countries with GNI per capita of \$1,026 to \$3,995, "upper-middle-income countries" as countries with GNI per capita of \$3,996 to \$12,375, and "high-income countries" as countries with GNI per capita of \$12,376 or more.

(Source) Created based on the United Nations Office for Disaster Risk Reduction (UNDRR) "The human cost of disasters: an overview of the last 20 years (2000-2019)."

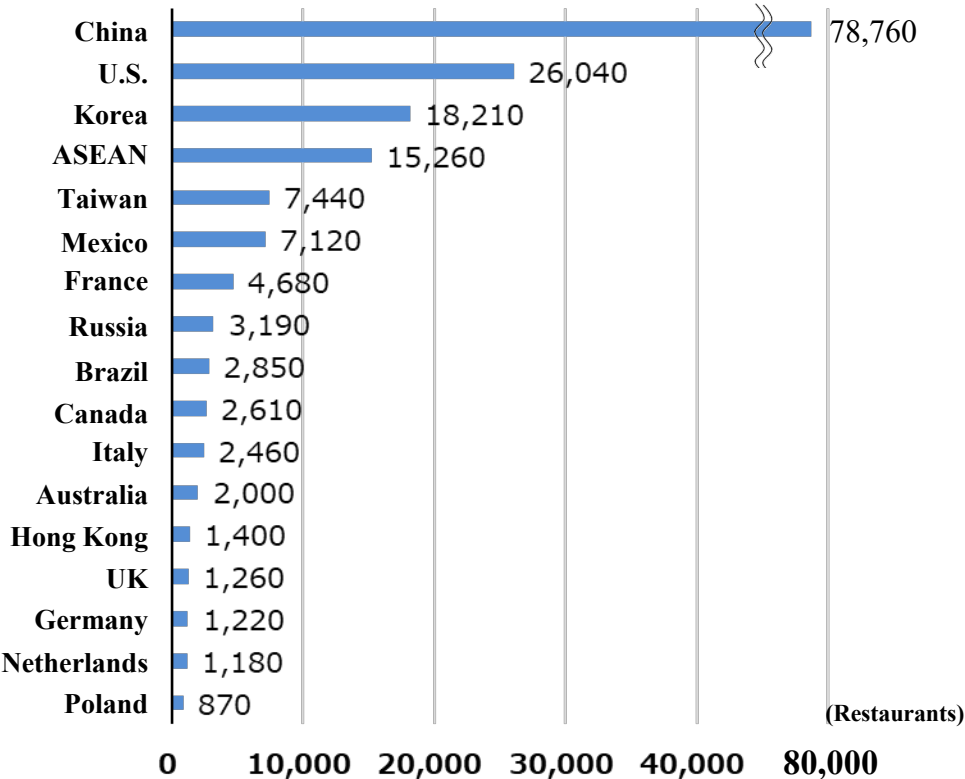
# Number of Japanese Restaurants Overseas

○ The number of Japanese restaurants overseas increased from 55,000 in 2013 to 187,000 in 2023.

Changes in the Number of Japanese Restaurants Overseas



Number of Japanese Restaurants by Country/Region (2023)

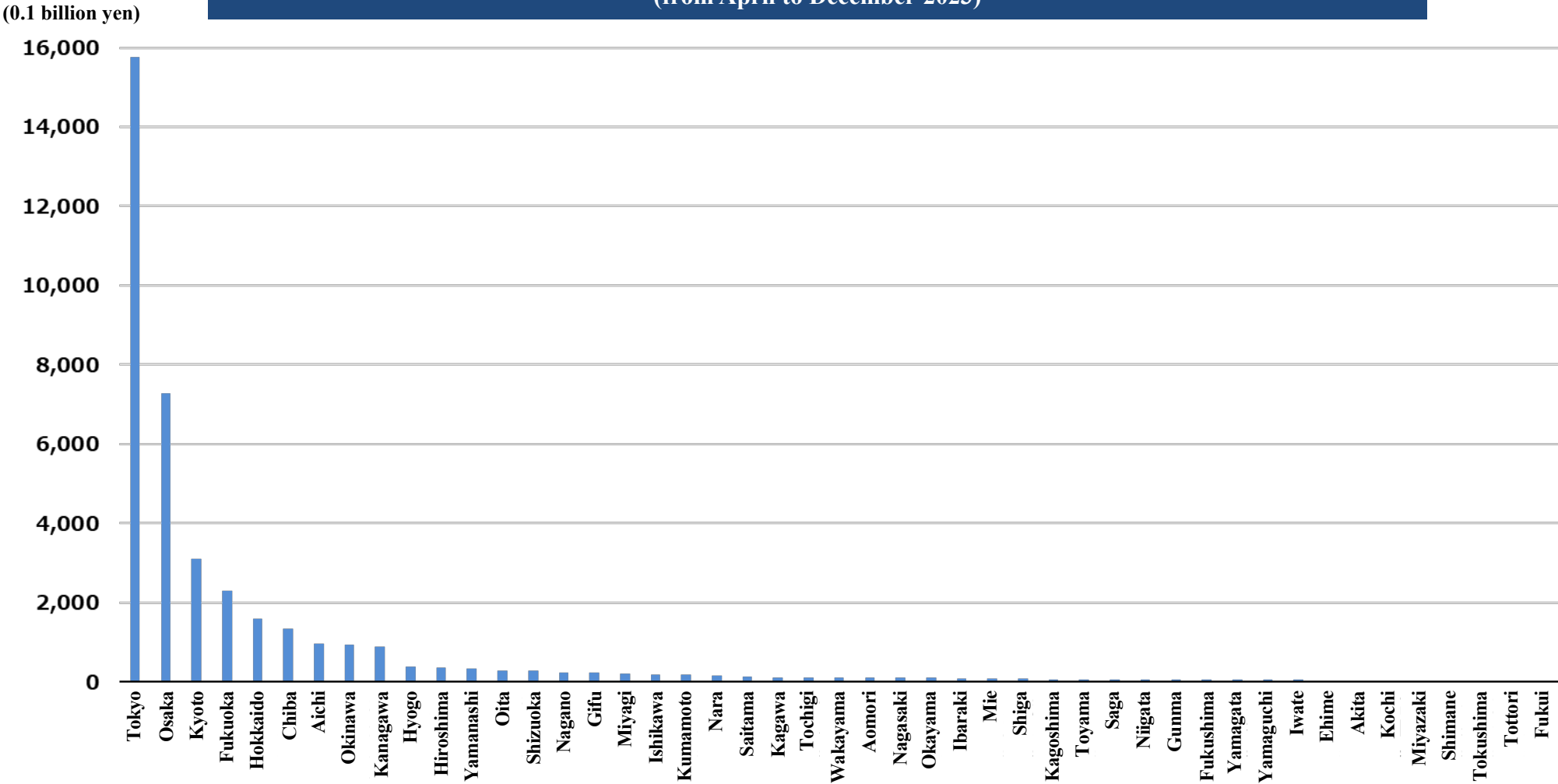


(Source) Created based on the Ministry of Agriculture, Forestry and Fisheries (2023) "Approximate Number of Japanese Restaurants Overseas by Country/Region."

# Travel Consumption by Foreign Visitors to Japan (from April to December 2023)

○ Inbound travel consumption is concentrated in major cities such as Tokyo, Osaka and Kyoto.

**Breakdown of Travel Consumption by International Visitors to Japan by Region**  
(from April to December 2023)

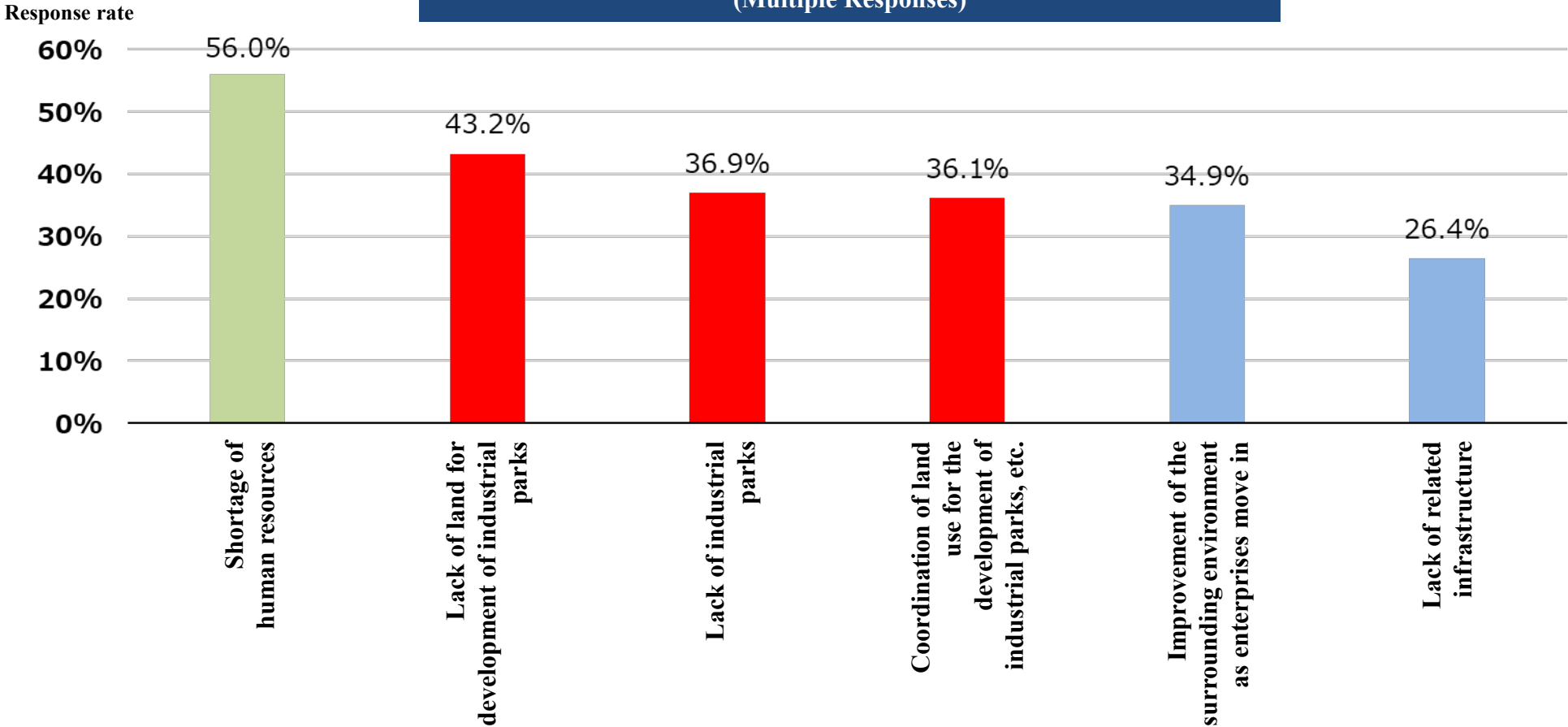


(Note) Total expenses for group and package tour participation, accommodation, food and drink, transportation, entertainment and other services, shopping, etc.  
(Source) Created based on the Japan Tourism Agency "International Tourist Survey."



# Regional Issues Related to Attracting Enterprises

○ According to a survey of regional chambers of commerce and industry, many respondents cited a "shortage of industrial sites and housing complexes" as well as a "shortage of human resources" as regional issues in attracting enterprises.



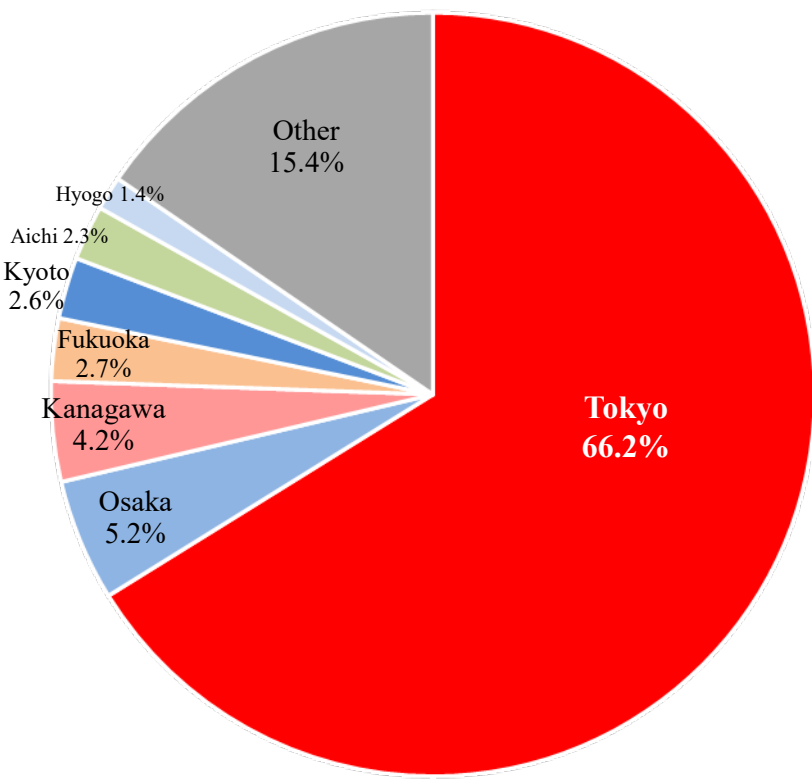
(Note) Results of a questionnaire survey of 515 chambers of commerce and industry from September 2 to October 4, 2024 (353 chambers responded). 353 chambers responded to the survey.  
(Source) Created based on JCCI "Survey Results on Investment Trends among Medium-Sized Enterprises and SMEs Driving Regional Economies" (November 22, 2024).

# State of Startups in Local Areas

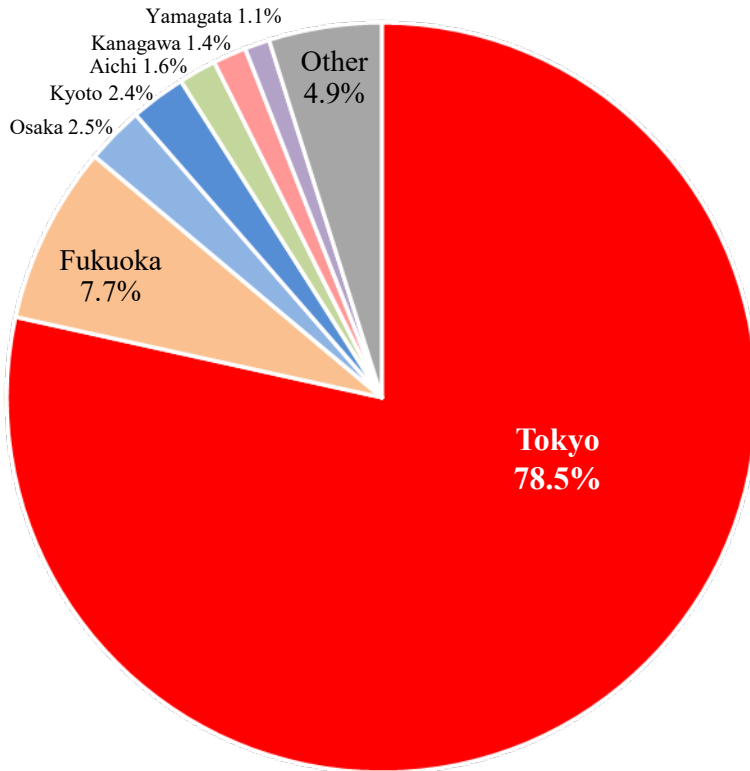
○ 66.2% of the locations of Japanese startups and 78.5% of the funds raised are concentrated in Tokyo, which is home to venture capital firms and large enterprises.

## State of Startups in Local Areas (As of the End of 2022)

Number of Startups



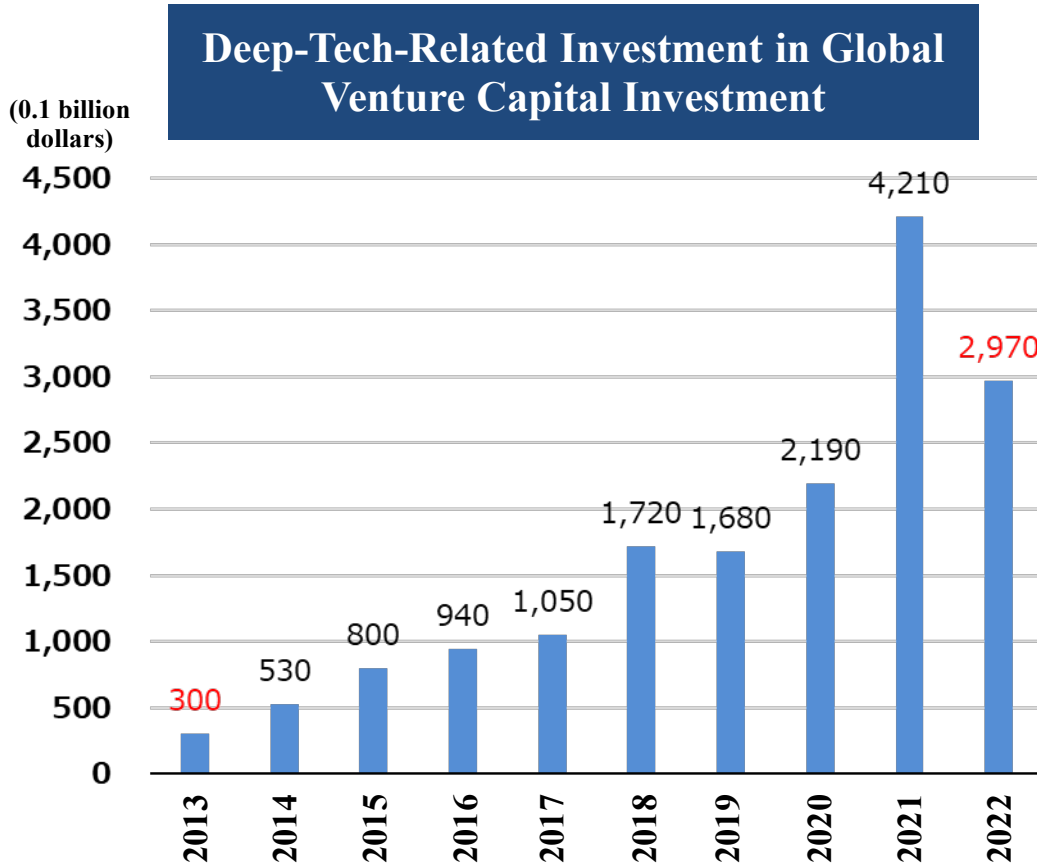
Startup Funding Amount



(Note) Distribution of locations and funding status of enterprises by prefecture in the STARTUP DB.  
(Source) Created with reference to STARTUPS JOURNAL.

# Deep-Tech -Related Investment in Global Venture Capital Investment

- Global investment in deep-tech startups has grown 10 times in the last 10 years (from \$30 billion in 2013 to \$297 billion in 2022).
- On the other hand, deep tech requires a long period of time and large funds for R&D and commercialization, and commercialization entails high risks. The challenge ahead is to build a full-fledged virtuous cycle ecosystem.



## Characteristics of Deep-Tech Startups

- Limited success in commercialization
- Human resources who can search for joint research partners are needed
- Typically high-risk R&D costs are needed over a long period of time and in large amounts
- Difficulty in raising funds due to few success stories, difficult prospects for commercialization, etc.
- Limited human resources who can raise adequate funds
- Inability to hire talented people depending on salary levels

(Note) The term "deep-tech-related" here is a selection of industry categories on PitchBook that correspond to industry and technology fields (AI, computers, energy and environment, biotechnology and medical healthcare, materials and industries, aviation and space, food and agriculture) defined as the deep-tech field in public reports, etc. (source: materials of Cabinet Office "Expert Panel on the Global Startup Campus Concept").

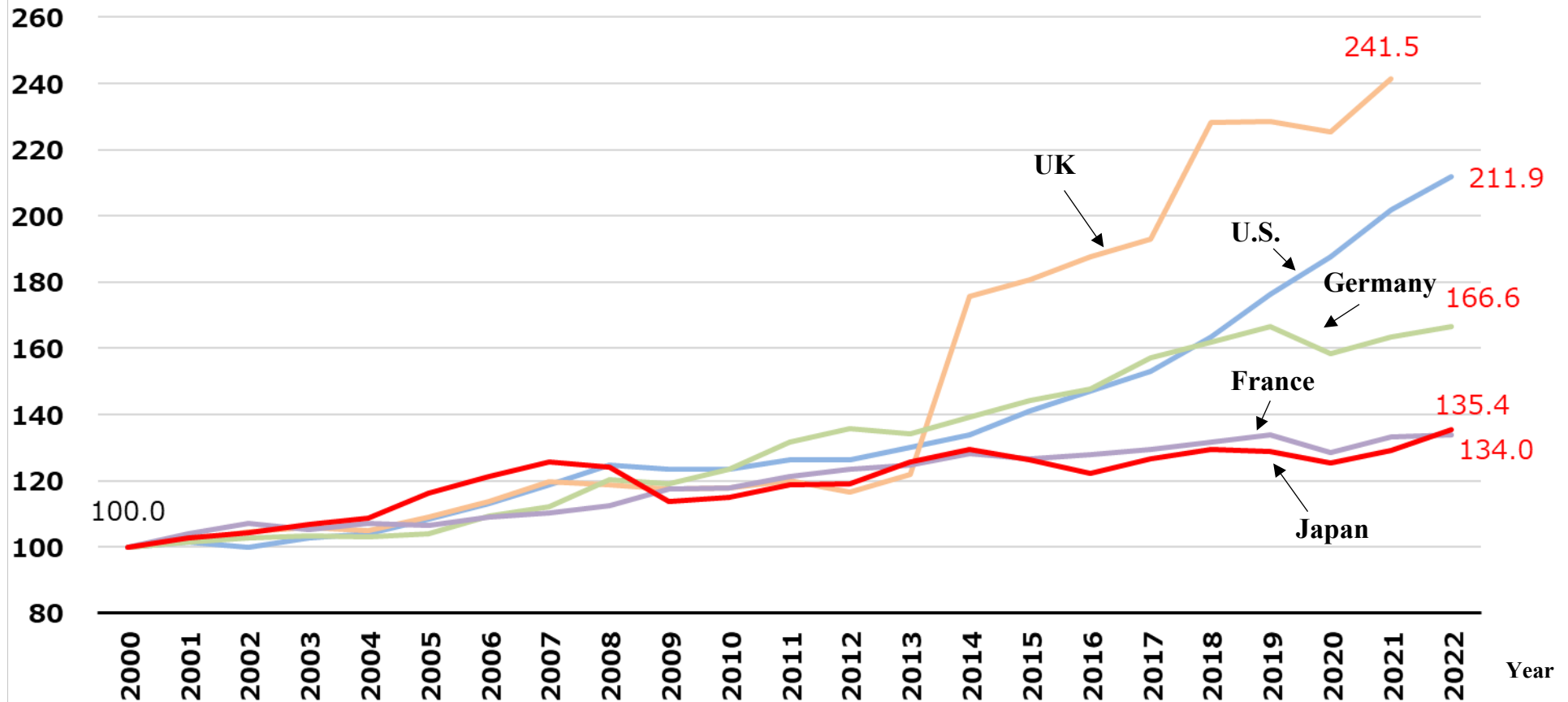
(Source) Created based on the materials by METI (original data is from PitchBook Data, Inc.).

# International Comparison of the Increase Rate of R&D Investment in the Public and Private Sectors Combined

○ Between 2000 and 2022, the amount of R&D investment by the public and private sectors combined increased 2.12 times in the United States and 1.67 times in Germany, while it was only 1.35 times in Japan.

## International Comparison of the Increase Rate of R&D Investment in the Public and Private Sectors Combined (Real, Year of 2000 = 100)

Public and private  
R&D costs  
(Year of 2000 = 100)



(Note) Based on 2015 U.S. dollars, and based on purchasing power parity.

(Source) Created based on OECD Data Explorer.

# Japan's Ranking in Research on Critical Technologies

- In the early 2000s (from 2003 to 2007), in terms of Japan's research share in critical technologies, among 64 fields (technology areas selected by the Australian Strategic Policy Institute (ASPI), including AI, biotechnology, space, defense, and energy), Japan ranked among the top 5 countries in half (32 fields) of the fields. However, in the most recent period (from 2019 to 2023), Japan ranked among the top 5 countries in only 8 fields.

## Critical technology Sectors in which Japan Ranked in the Top 5 in the Early 2000s

Category	Technology field	Ranking	Major institution in Japan
Advanced information and communications technology	Advanced optical communications	2 → 7	NTT
	Distributed ledgers	1 → 26	University of Aizu
	High-performance computing	3 → 9	The University of Tokyo
AI, computing and communications	AI algorithms and hardware accelerators	2 → 16	-
	Natural language processing	3 → 12	NTT
Advanced materials and manufacturing	Advanced magnets and superconductors	2 → 5	Tohoku University
	Wide and ultra-wide band gap semiconductors	2 → 3	Kyoto University
	Smart materials	3 → 18	Tohoku University
	Nanoscale materials and manufacturing	3 → 15	NIMS
	Critical minerals extraction and processing	3 → 18	NIMS
	Synthetic biology	5 → 14	-
Biotechnology, gene technology and vaccines	Gene technology	2 → 5	The University of Tokyo
	Genome sequencing and analysis	4 → 5	The University of Tokyo
	New antibiotics and antivirals	5 → 19	The University of Tokyo
Defense, space, robotics and transportation	Autonomous systems operation technology	2 → 11	The University of Tokyo
	Space launch systems	2 → 6	JAXA
	Drones, swarming and collaborative robots	5 → 18	-
	Advanced robotics	2 → 13	The University of Tokyo

Category	Technology field	Ranking	Major institution in Japan
Environment and energy	Electric batteries	3 → 10	AIST
	Photovoltaics	2 → 12	The University of Tokyo
	Hydrogen and ammonia for power	3 → 9	The University of Tokyo
	Directed energy technologies	3 → 10	The University of Tokyo
	Nuclear waste management and recycling	4 → 10	JAEA
	Supercapacitors	4 → 12	NIMS
	Nuclear energy	4 → 3	JAEA
Quantum technology	Quantum sensors	4 → 5	The University of Tokyo
	Quantum computing	5 → 5	RIKEN
Sensing, Timing and Navigation	Inertial navigation systems	5 → 13	The University of Tokyo
	Radars	3 → 9	The University of Tokyo
	Photonic sensors	3 → 11	The University of Tokyo
	Atomic clocks	4 → 5	The University of Tokyo
Other AUKUS-related technologies	Air-independent propulsion	3 → 12	-

Legends

Technology fields falling out of the top five

Technology fields most recently in the top five

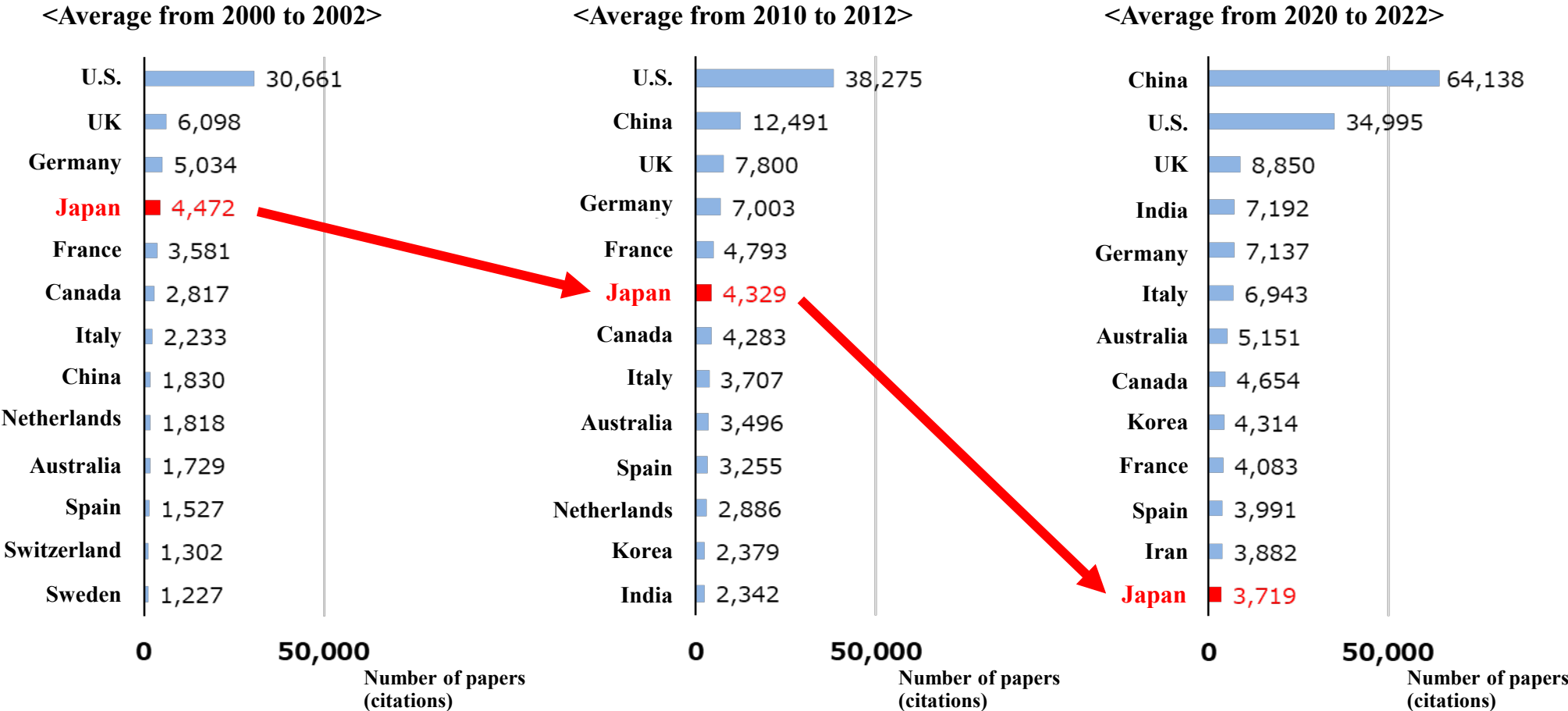
(Note) Paper shares calculated by the Australian Strategic Policy Institute (ASPI, an independent think tank on national security, defense and technology) on critical technologies in 64 fields using a large dataset of 6.8 million papers of top 10% cited papers for 21 years (from 2003 to 2023). "NIMS" refers to the National Institute for Materials Science, and "JAEA" refers to the Japan Atomic Energy Agency. Looking at all 64 fields, Japan is ranked in the top 5 in only 8 fields.

(Source) Created based on the materials by METI (original data is from Australian Strategic Policy Institute (ASPI) "Critical Technology Tracker" website and information provided by ASPI).

# Trends in the Number of Top 10% Cited Papers

○ In terms of the number of top 10% cited papers (by country of affiliation), Japan's ranking is on the decline.

Trends in the Number of Top 10% Cited Papers (by Country of the Author's Institution)



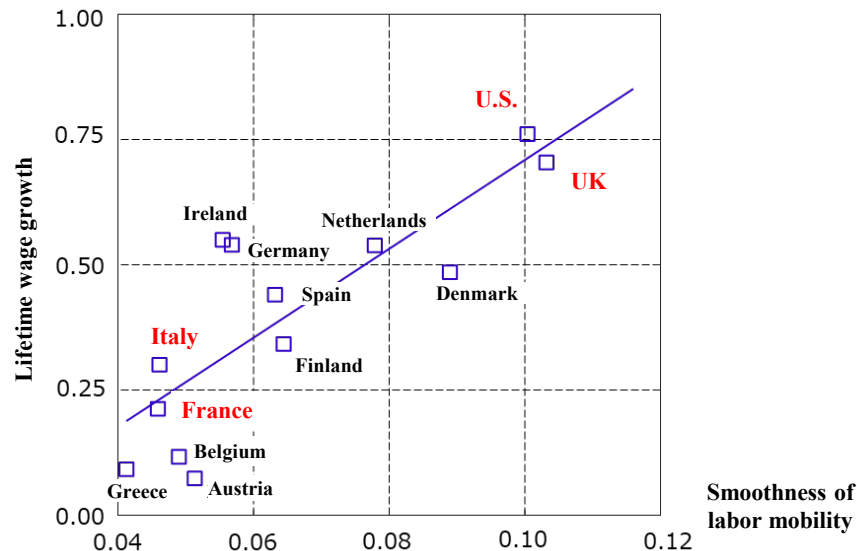
(Note) Compiled based on the Web of Science: Science Citation Index Expanded (Database of peer-reviewed articles provided by Clarivate. It consists of about 9,200 highly influential journals in the field of science and technology, selected according to the company's standards.) . The total number of papers by country of the institution to which the author belongs for the top 10% of most cited papers in each academic field.  
The number of internationally co-authored papers is calculated using the fractional count method (in which the number of papers is calculated by weighting according to the degree of contribution of each country).

(Source) Created based on NISTEP, the Ministry of Education, Culture, Sports, Science and Technology "Japanese Science and Technology Indicators 2024."

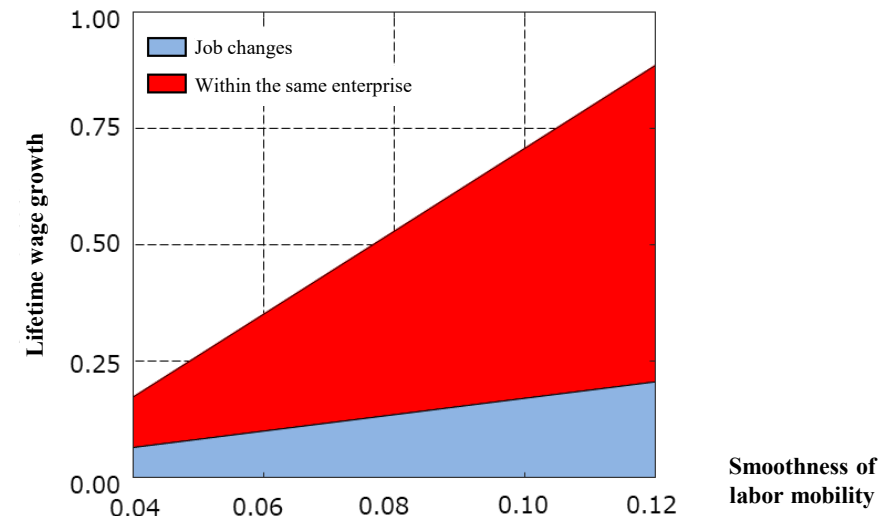
# Relationship between the Smoothness of Labor Mobility and Wage Growth

- Countries with smoother labor mobility have higher lifetime wage growth.
- Breaking down this lifetime wage growth, the wage growth due to changing jobs (blue) accounts for only 1/4, and the wage growth for those working within the same enterprise (red) accounts for 3/4.
- If labor mobility is smooth, enterprises will evaluate the human resources they employ and make efforts to increase engagement (employees' feelings of attachment and commitment to the enterprise), and the wages of those who work without labor mobility will also rise.

## Smoothness of Labor Mobility and Lifetime Wage Growth



## Decomposition of Factors for Changing Jobs and Factors within the Same Enterprise on Lifetime Wage Growth



(Note) Lifetime wage growth is the change in real hourly wages of men between the ages of 25 and 54. Smoothness of labor mobility is the percentage of people who started working for their current employer within the last 11 months among those employed in the past 1 year. It covers Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Spain, the United Kingdom and the United States. 1991 to 2015.

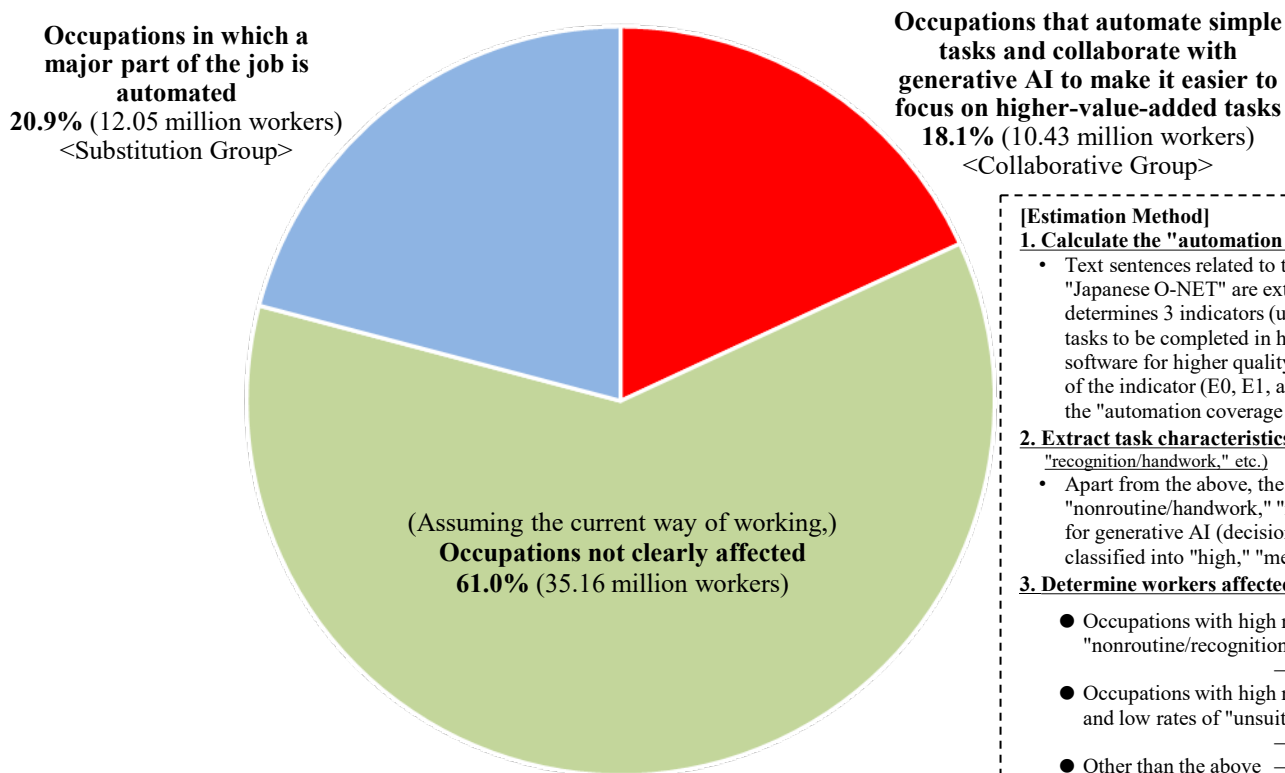
Wage growth within the same enterprise are calculated by the difference between lifetime wage growth and job changes. Smoothness of labor mobility is the percentage of people who started working for their current employer within the last 11 months among those employed in the past 1 year.

(Source) Created based on Niklas Engbom (2022), Labor Market Fluidity and Human Capital Accumulation. NBER Working Paper Series, Working Paper 29698.

# Percentage of Workers Affected by Generative AI

- According to a study that analyzed the impact of generative AI on employment in Japan, 18.1% of employees work in occupations that automate simple tasks with the introduction of generative AI and make it easier to focus on higher-value-added work by collaborating with generative AI.
- On the other hand, 20.9% of all employees work in occupations where generative AI automates a major part of the job and there are concerns about job substitution.

## Proportion of Workers Affected by Generative AI (Analysis by Daiwa Institute of Research)



### [Estimation Method]

#### 1. Calculate the "automation coverage rate" for each occupation

- Text sentences related to the tasks of each occupation (456 occupations) in "Japanese O-NET" are extracted. This is read into GPT-4 (OpenAI), which determines 3 indicators (using LLM (1) "reduces task quality" (E0), (2) "allows tasks to be completed in half the time" (E1), and (3) "combines with additional software for higher quality and efficiency" (E2)) for each task. The average value of the indicator (E0, E1, and E2) for all occupations is calculated and defined as the "automation coverage rate ( $= E1 + 0.5 \times E2$ )."

#### 2. Extract task characteristics by occupation ("nonroutine/routine," "recognition/handwork," etc.)

- Apart from the above, the task characteristics ("nonroutine/recognition," "nonroutine/handwork," "routine/recognition," "routine/handwork," "unsuitable for generative AI (decision making and physical actions)") of each occupation are classified into "high," "medium," and "low."

#### 3. Determine workers affected by generative AI

- Occupations with high rates of "automation coverage," "nonroutine/recognition," and "unsuitable for generative AI"  
→ "Collaborative Group"
- Occupations with high rates of "automation coverage" and "routine/recognition," and low rates of "unsuitable for generative AI"  
→ "Substitution Group"
- Other than the above → "Occupations not clearly affected"

\* "Nonroutine/recognition" refers to work that requires analysis and interpersonal relationships, "routine/recognition" refers to repetition of the same work, etc.

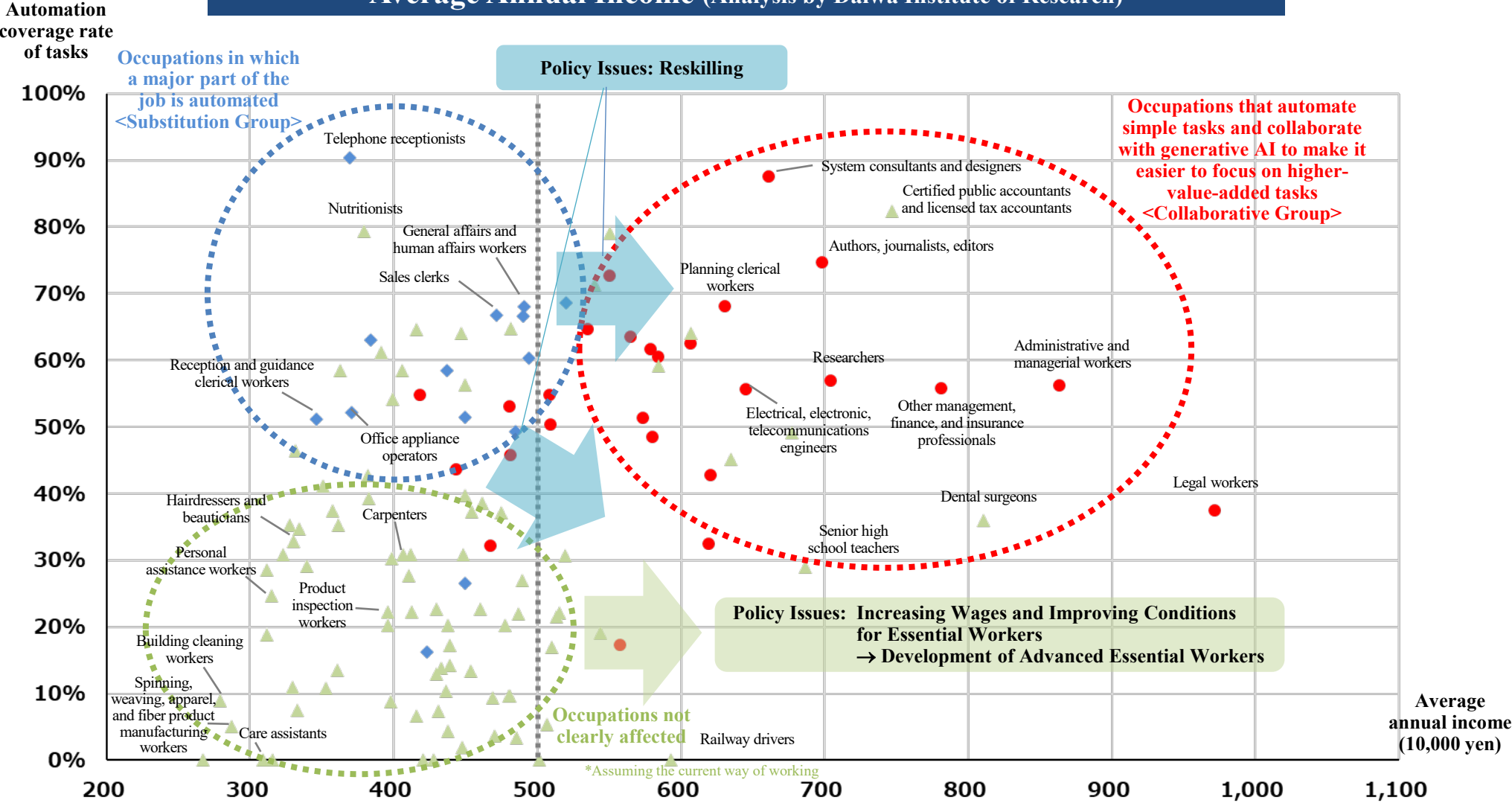
(Note) The percentage of workers is the aggregate number of workers by occupation from the 2020 Population Census of Japan. The number of workers in parentheses is calculated by multiplying the percentage of workers by the number of workers (57.64 million) in the 2020 Population Census of Japan.

(Source) Created based on Takayuki Nitta "Generative AI's Portrayal of the Bright and Dark Sides of Occupations in Japan and Countermeasures."



# Relationship between Automation Coverage Rate by Generative AI and Average Annual Income

Relationship between Automation Coverage Rate by Generative AI and Average Annual Income (Analysis by Daiwa Institute of Research)



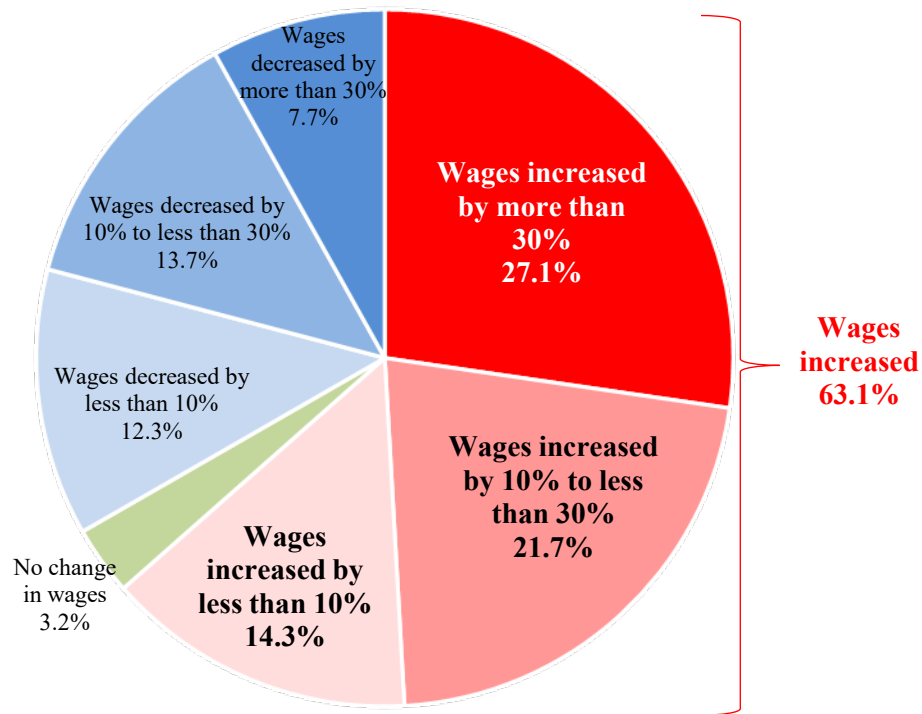
(Note) Annual income is defined as "scheduled cash earnings × 12 months + annual special cash earnings" in the MHLW "2022 Basic Survey on Wage Structure."

(Source) Created based on Takayuki Nitta "Generative AI's Portrayal of the Bright and Dark Sides of Occupations in Japan and Countermeasures."

# Changes in Wages due to Reskilling

- METI "Career Development Support Program through Reskilling" provides an integrated support system for incumbents from career counseling to reskilling and changing jobs. According to a survey of people who changed jobs through this program, 63.1% of the total saw their wages growth after changing jobs.
- It is possible that workers' voluntary reskilling and self-directed career development will lead to higher wages after changing jobs.

## Changes in Wages Due to Job Changes (Workers Who Changed Jobs after Taking the "Career Development Support Program")



(Note) As of the end of February 2025. A total of 2,299 people responded.

(Source) Created based on the materials by METI.

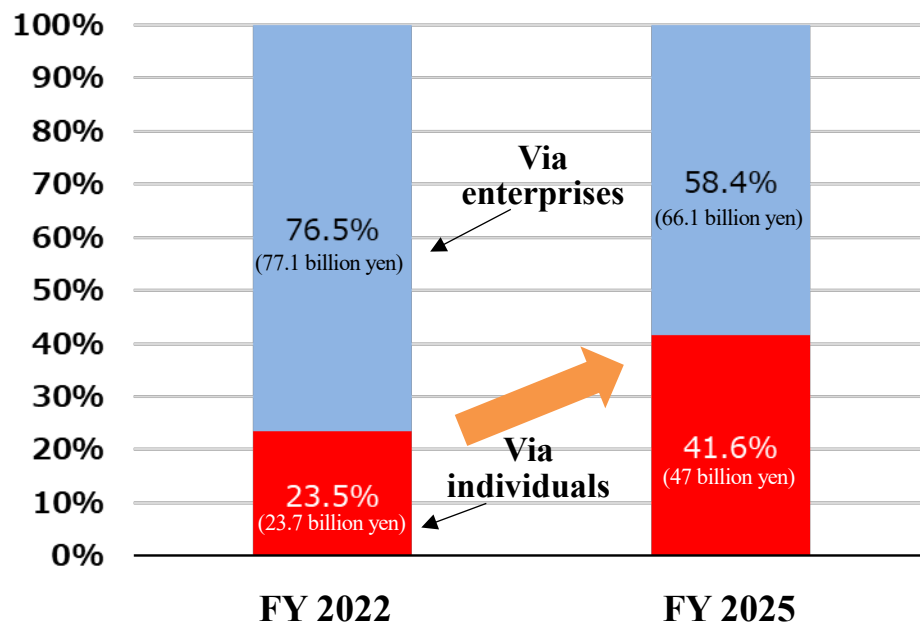
## Examples of Improvements in Working Conditions (Persons Who Have Taken the "Career Development Support Program")

Field	Outline
CAD	<ul style="list-style-type: none"> <li>• An individual who had worked as a part-timer in the construction industry took a CAD course, and the person's CAD skills acquired in the course and the person's positive attitude toward learning were appraised at the person's current job, and <b><u>converted from part-time to regular employment.</u></b></li> </ul>
Care	<ul style="list-style-type: none"> <li>• An individual who had originally been part-time worker took the Caregiver Induction Training Course to acquire the qualification, and <b><u>converted to a regular employee.</u></b></li> </ul>
Web design	<ul style="list-style-type: none"> <li>• An individual who had worked as a construction clerk for 6-7 years took a course on web design, and was engaged in creating promotional materials for company brochures for students in the person's current position. The promotional materials were praised by the president, and the person <b><u>was promoted to supervisor.</u></b></li> </ul>
English	<ul style="list-style-type: none"> <li>• An individual working in a pharmaceutical company <b><u>could be promoted within the company</u></b> by learning English and meeting the promotion requirements (a certain level of English proficiency) for the current position.</li> </ul>

# Government Measures to Support Relearning of Incumbents

- In the past, the government has mainly provided relearning support with incumbents through enterprises, but recently direct support to individuals has increased to 58.4% through enterprises and 41.6% through individuals.
- In addition, measures are being taken to expand human resource development support for digitalization and DX, expand digital-related courses, and evaluate the skills of front-line workers.

## Relearning Support Measures for Incumbents Changes in Budget Amount



### Via enterprises (support for human resource development by enterprises)

- Increase of the subsidy rate for training for advanced digital human resources development and DX in the "Human Resources Development Support Subsidy" (normally 45% (30% for large enterprises) → 75% (60% for large enterprises)).

### Via individuals (support for voluntary relearning by workers)

- Establishment of "Education and Training Leave Benefits" (A system under which a certain percentage of wages is paid as a benefit equivalent to the basic allowance to insured persons of employment insurance who voluntarily take unpaid leave to receive education and training).
- Establishment of the "Reskilling Education and Training Support Loan Program" (a program that provides loans for education and training expenses and living expenses for persons other than those insured by employment insurance who receive education and training).
- Increase of the rate of "Education and Training Benefits" (from a maximum of 70% to 80% of the course fee).
- Expansion of digital-related courses in "Professional and Practical Educational Training" (from 270 courses (as of October 2024) to 337 courses (as of April 2025)).

### Establishment of an evaluation system for front-line workers, etc., and support for skill acquisition

- In March 2025, the private sector tests for three occupations\*1 was certified as Business Skill Tests\*2 for the first time.
- From April 2025, courses that meet certain standards among those aimed at passing the Business Skill Tests were added to the list of subjects for the Education and Training Benefits System.

\*1. Business Skill Test on Housekeepers, Business Skill Test on Rikusaibo Cargo-Handling Forklifts, and Business Skill Test on Nihonkutanai Concrete Placement and Compaction Worker.

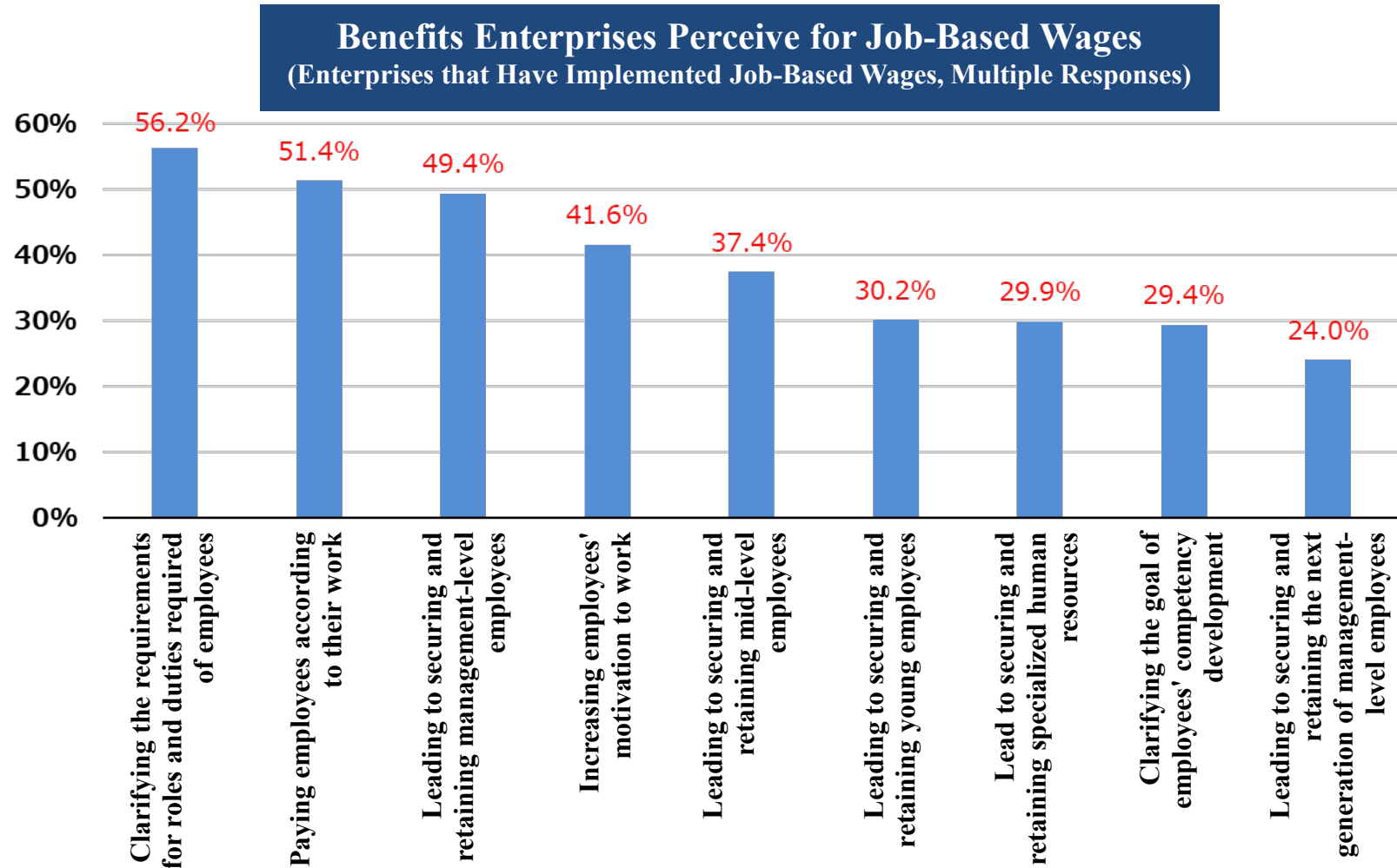
\*2. Among programs in which employers and employers' associations, etc., examine the level of knowledge and skills necessary for the occupations of their workers themselves, those that meet certain standards and are certified by the Minister of Health, Labour and Welfare as those that should be encouraged for the promotion of skills.

(Note) In the figure on the left, "via enterprises" refers to Human Resources Development Support Subsidy, grants for operating expense for public vocational training (training for incumbents) and Human Resources Productivity Support Center, and grants for vocational training provided by prefectures (for grants for operating expenses and grants to prefectures, the estimated budget amount is based on the results in the most recent settlement of accounts for the relevant fiscal year). "Via individuals" refers to Education and Training Benefits, Education and Training Leave Benefits, and Reskilling Education and Training Support Loan Program. These two amounts are added together as the total amount of relearning support measures to support incumbents, and each is calculated as a percentage of the total amount.

(Source) Created based on materials by MHLW.

# Benefits Enterprises Perceive for Job-Based Wages

- Enterprises that have introduced job-based personnel management (job-based wages) have perceived the benefits of "clarifying the requirements for roles and duties required of employees," "paying employees according to their work," "leading to securing and retaining management-level employees," and "increasing employees' motivation to work."



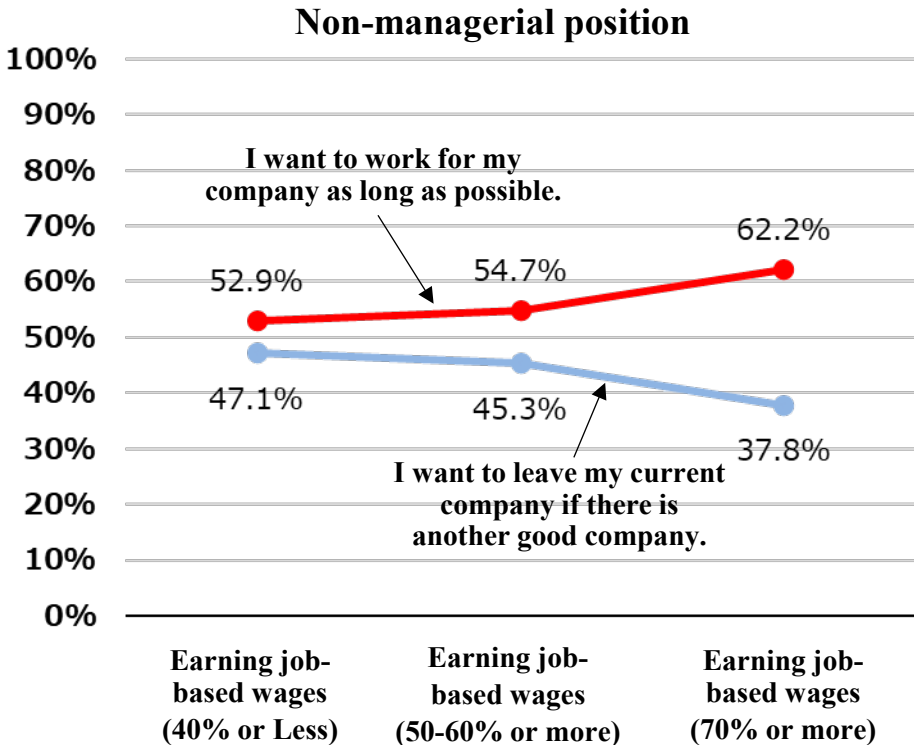
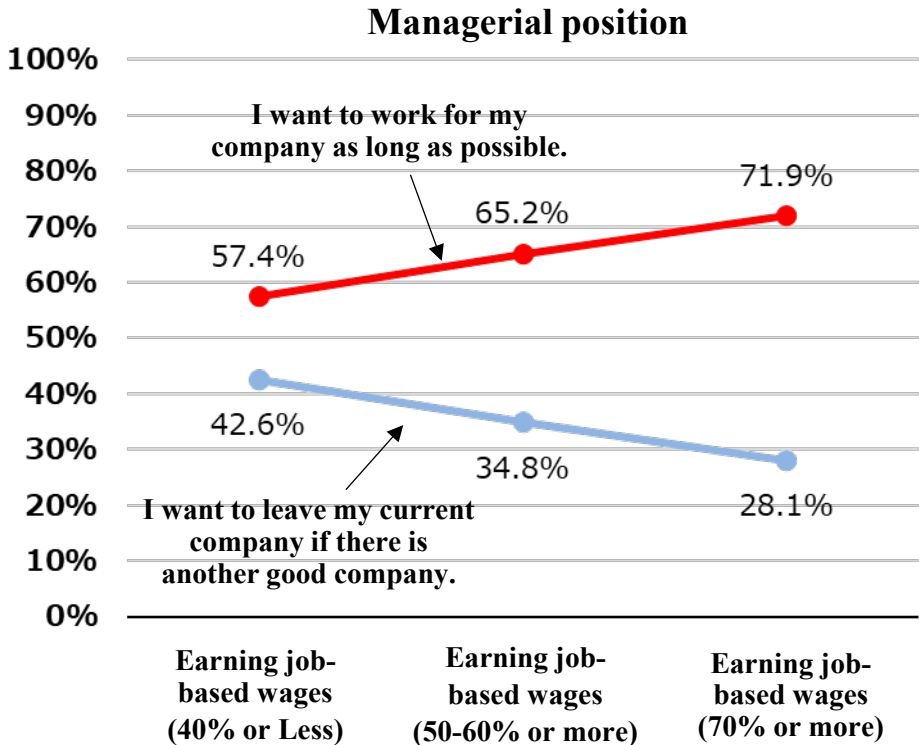
(Note) Results of a questionnaire survey conducted by PwC in MHLW "Survey and Research Project on Job-Based Wages, etc. in the Private Sector" (commissioned project) (1,349 enterprises responded).

(Source) Created based on MHLW "Guidance for the Introduction of Job-Based Wages" (published in February 2025).

# Status of Desire to Change Jobs among Employees Working at Companies that have Introduced Job-Based Wages

- In companies that have introduced job-based personnel management (job-based wages), employees who earn a high proportion of job-based wages in their base wages, regardless of whether they are in managerial or non-managerial positions, tend to think that they want to work for their current company as long as possible.
- On the other hand, the number of employees who "want to leave their current company if there is another good company" is lower as the ratio of job-based wages to base wages increases.

## Status of Employees' Desire to Change Jobs (Employees Working at Companies that Have Introduced Job-Based Wages)

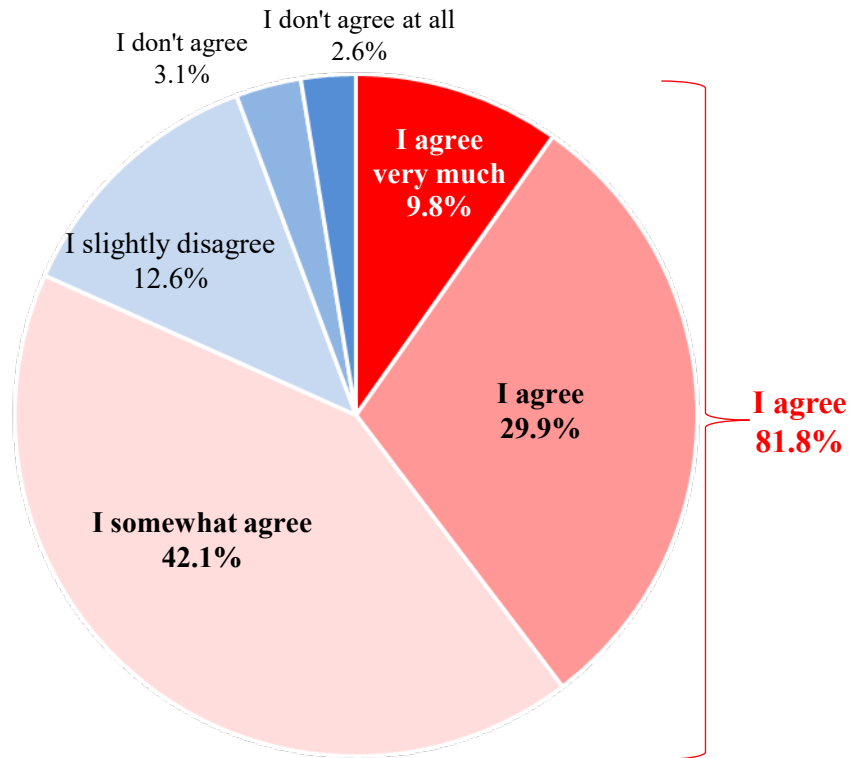


(Note) Results of a questionnaire survey conducted by PwC in MHLW "Survey and Research Project on Job-Based Wages, etc. in the Private Sector" (commissioned project).  
(Source) Created based on MHLW "Guidance for the Introduction of Job-Based Wages" (published in February 2025).

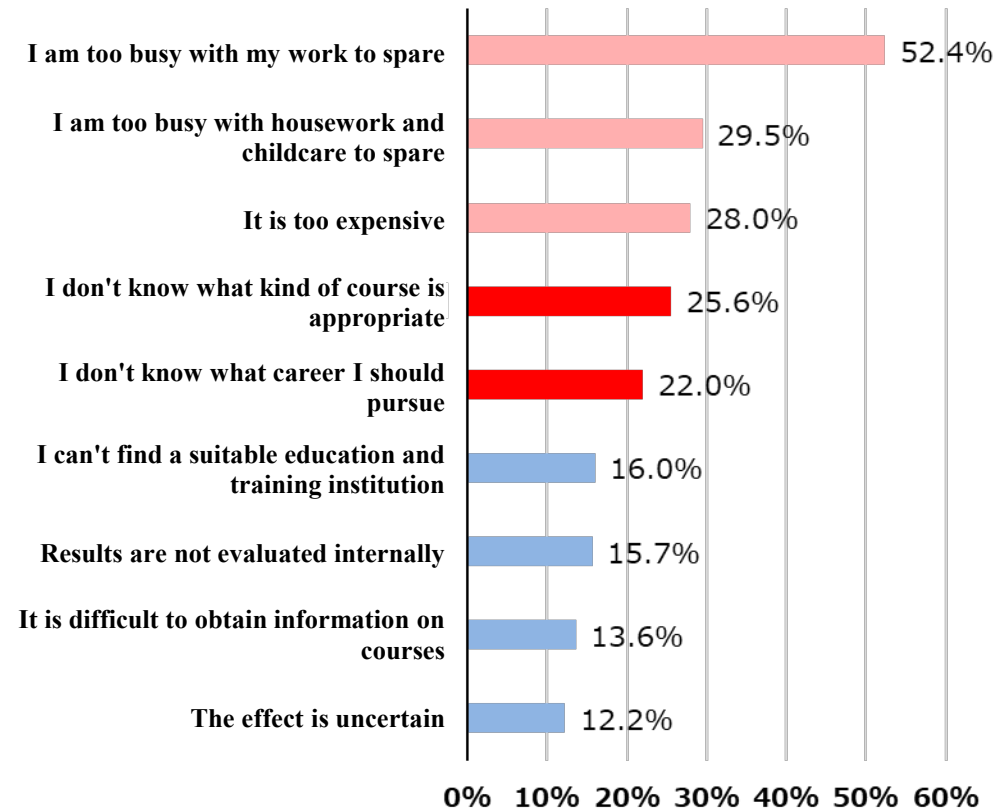
# Career Development Awareness among Young and Mid-Level Employees

- More than 80% of employees aged between 25 and 44 think that "I myself want to develop my career autonomously and independently."
- As problems with reskilling, many workers answered that "I am too busy with my work, housework, and childcare to spare," "it is too expensive," "I don't know what kind of course is appropriate," and "I don't know what career I should pursue."

## Percentage of Employees Who Think "I Myself Want to Develop My Career Autonomously and Independently" (Young and Mid-level Employees)



## Problems in Self-Development (Multiple Responses)



(Note) Left figure: survey of young and mid-level regular employees aged between 25 and 44 who work for companies with 300 or more employees (613 people responded).

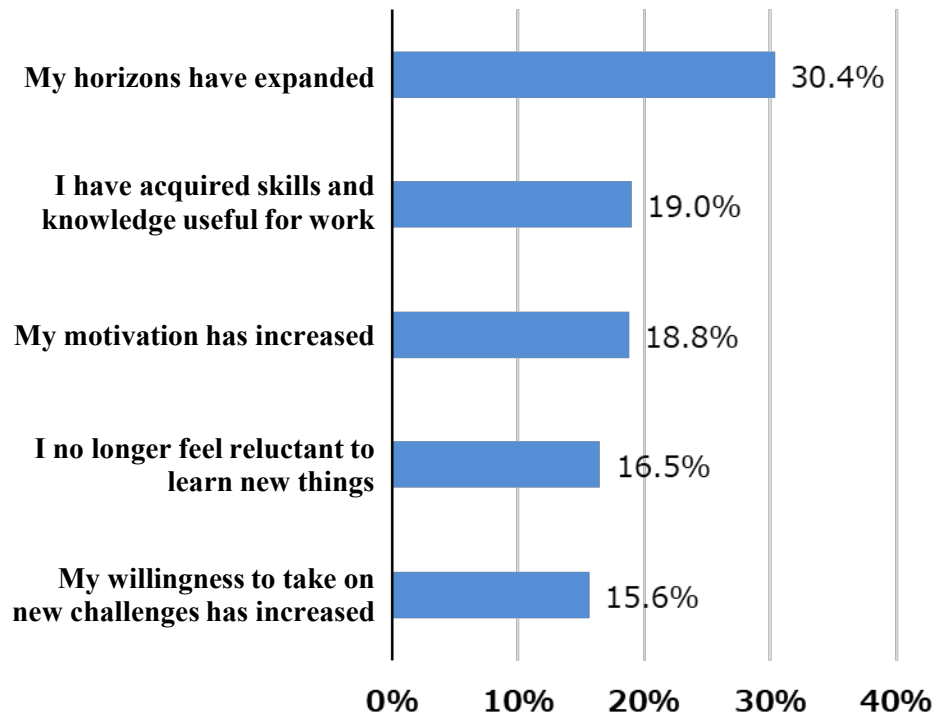
(Source) Created based on Recruit Management Solutions Co., Ltd "Survey on Attitudes toward Autonomous and Proactive Career Development of Young and Middle-Career Employees" (2021), and MHLW "2023 Basic Survey of Human Resources Development (Individual Survey)."

# Effects of Learning from By-Jobs/Side-Jobs

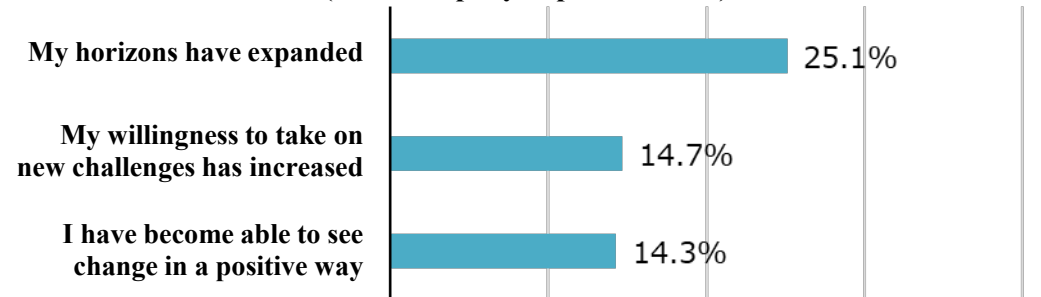
- When asked about the benefits they feel from learning from their by-jobs/side-jobs, many workers answered that "I have expanded my horizon," "I have acquired skills and knowledge useful for work," and "my motivation has increased."
- In addition, workers who work with the by-jobs/side-jobs workers also feel the effects as they answered that "I have expanded my horizon," "my willingness to take on new challenges has increased," and "internal communication has become active."

## Effects of Learning from the Side/Concurrent Jobs (Multiple Responses)

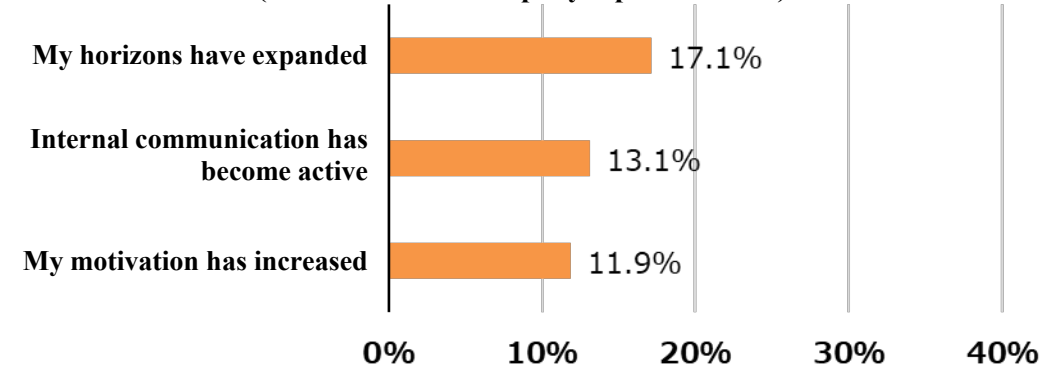
### By-jobs/Side-jobs workers themselves (top five items)



### Workers who work together with the by-jobs/side-jobs workers (main company, top three items)



### Workers who work together with the by-jobs/side-jobs workers (side/concurrent company top three items)



(Note) Results of a questionnaire survey conducted from July 26 to August 1, 2023 for regular employees aged between 20 and 59 working at companies with 10 or more employees (by-jobs/side-jobs workers: 2,000; 1,000 from main company, 1,000 from by-jobs/side-jobs company). The above are questions to those who answered (68.0% of the by-jobs/side-jobs workers, 61.7% of those from main company, and 65.6% from by-jobs/side-jobs company) that "learning from by-jobs/side-jobs workers has been effective."

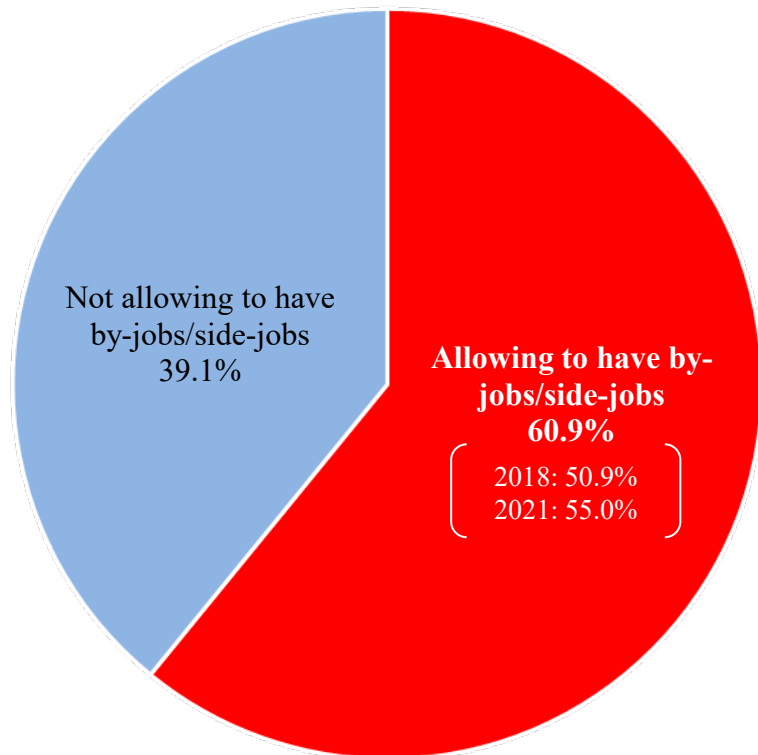
(Source) Created based on PERSOL Research and Consulting Co., Ltd "Third Quantitative Survey on the Status and Awareness of Side Jobs."



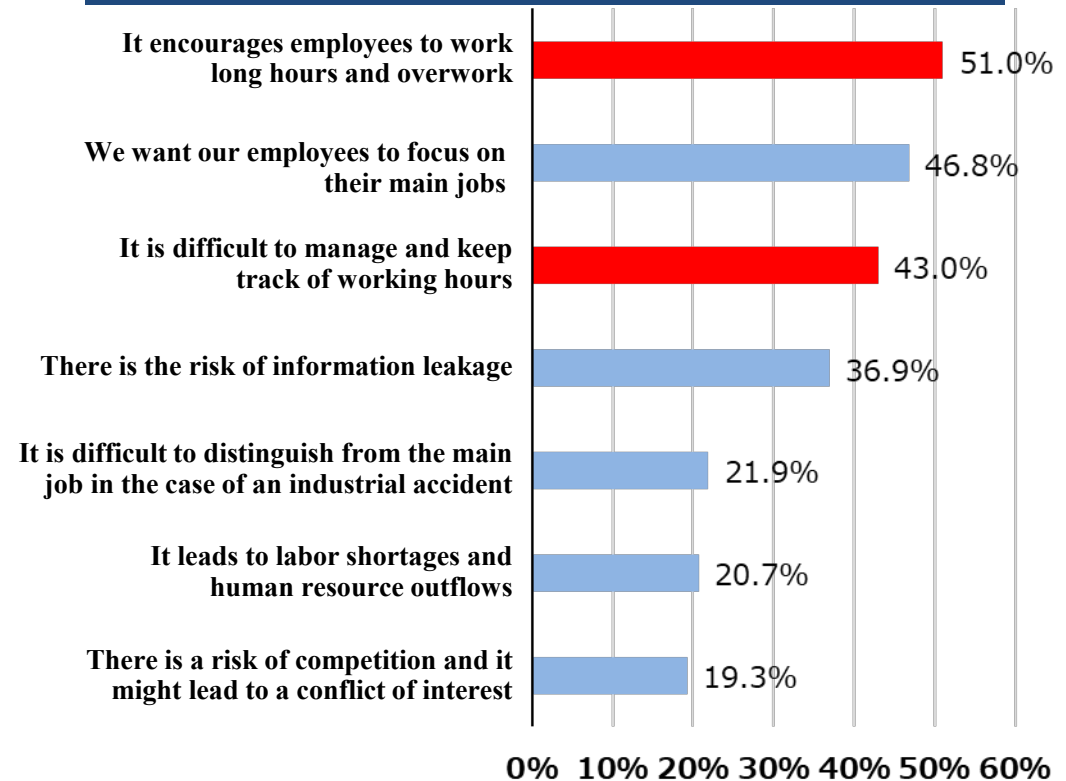
# Percentage of Enterprises that Allow By-Jobs/Side-Jobs

- In 2023, 60.9% of all enterprises allowed employees to work on the by-jobs/side-jobs, an increase of about 10% from 50.9% in 2018.
- When asked about the reasons why enterprises do not allow employees to work on the by-jobs/side-jobs, the most common reasons were "it encourages long working hours" and "it is difficult to manage and keep track of working hours."

**Acceptance of Employees' By-Jobs/  
Side-Jobs by Enterprises  
(2023)**



**Reasons for Prohibiting Employees from  
Working at By-Jobs/Side-Jobs  
(Enterprises Not Allowing to Have Side/Concurrent Jobs,  
Multiple Responses)**



(Note) The left figure shows the results of a questionnaire survey conducted from July 26 to August 1, 2023 for top management and personnel managers at companies with 10 or more employees (1,500 people responded).

The right figure shows the results of a questionnaire survey conducted from January 21 to 22, 2023 for personnel managers of companies.

(Source) Created based on PERSOL Research and Consulting Co., Ltd "Third Quantitative Survey on the Status and Awareness of Side Jobs," and Recruit "Trend Survey Data on Concurrent and Side Jobs 2022."