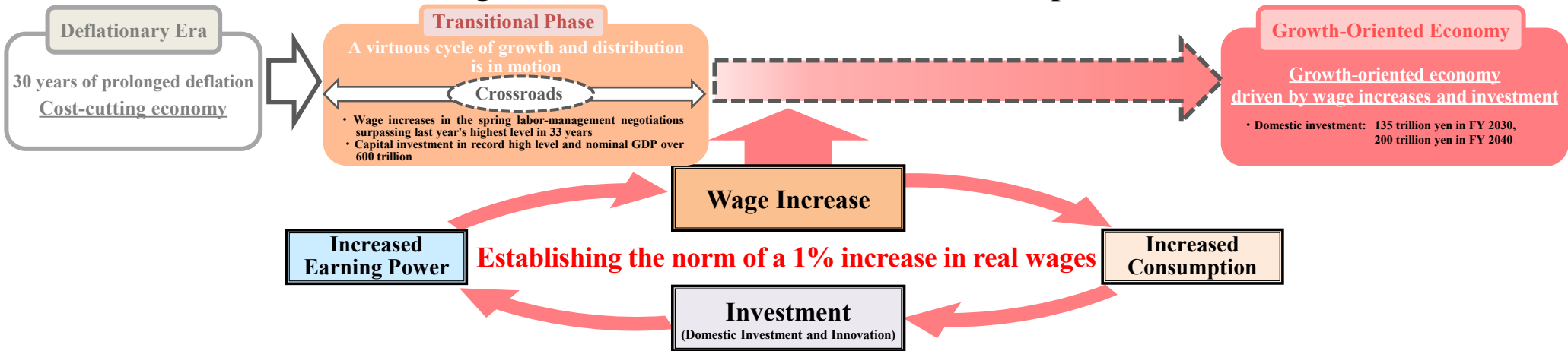


# Outline of the Grand Design and Action Plan for a New Form of Capitalism 2025 Revised Version



## I. Realization of a Growth-Oriented Economy Driven by Wage Increase and Investment

### 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.** 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 has 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, record levels of capital investment, 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 SMEs and small businesses, 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.
- **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.**
- The "Action Plan for a New Form of Capitalism" has been revised for establishing the norm of wage increases. 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 businesses through the implementation of the "Five-Year for Increasing Wages at SMEs and Small Business" and to develop an environment for wage increases**, to realize an investment-oriented country, 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 to promote Japan as a leading asset management center, and to upgrade local economies.

### 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 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 to Promote Wage Improvements in SMEs and Small Businesses"** 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.**

### Improving Earning Power in a Society with Limited Labor Supply

- The government should 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 order 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, the following initiatives will be made:
  - **Realizing an investment-oriented country** (creation and growth acceleration of medium-sized enterprises, support of R&D and exports in new winning fields such as healthcare and disaster prevention; GX/DX/economic security, growth investment in PE funds, securing industrial land, etc.) \*PE fund: private equity funds (funds to invest in shares of an unlisted enterprise)
  - **Strengthening the "Startup Development Five-year Plan"** (Building college of technology (KOSEN)-launched startup ecosystems nationwide and strengthening the provision of growth funds to deep-tech startups, etc.)
  - **Strengthening science and technology and innovation capabilities** (integrated support for strategically important technology fields, establishment of industrial ecosystems, support by university endowment funds, overseas expansion of digital-related services, etc.)
  - **Promoting investment in people and the active participation of diverse human resources** (acceleration of the Trinity labor market reform, promotion of by-jobs/side-jobs, comprehensive inspection of work-style reforms, implementation of industrial human resource development plans, etc.)
  - **Deepening initiatives to promote Japan as a leading asset management center** (creating an environment in which people of all generations, from the young to the elderly, can steadily build assets in line with their individual life plans while improving their financial literacy)
  - **Upgrading local economies** (strengthening innovation bases in local areas, attracting corporate capital to local areas, watt-bit collaboration, accelerating the social implementation of automated driving, etc.).

## II. Promotion of the Five-Year Plan for Increasing Wages at SMEs and Small Businesses

- 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 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 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 SMEs and Small Businesses, and will implement them by mobilizing all policy resources.**
- In order to support the development of an environment for wage increases in local areas for regional revitalization, with regard to improving the productivity of SMEs and small businesses and passing on public sector demand to the public, etc., 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.

### 1. Investment to improve productivity

- The government will provide support over several fiscal years to realize the public and private sector investment of 60 trillion yen over 5 years to improve the productivity of SMEs and small businesses.
  - In doing so, a nationwide support system will be established, including the provision of meticulous support by more than 2,000 entities (2,200 of associations and chambers of commerce and industry nationwide, National Federation of Small Business Associations, and 500 regional financial institutions, etc.) to ensure that necessary investments are made throughout the country.
  - In particular, the public and private sectors will promote labor-saving investment in 12 industries\* where labor shortages are serious, based on the "Labor-Saving Investment Promotion Plans" by industry (for each industry, listing the government's productivity improvement targets, examples of labor-saving efforts that contribute to the achievement of the targets, and labor-saving promotion measures). In addition, the government will continuously manage the progress of measures and enhance the content based on this.
    - \* 12 industries and major examples of labor saving:
      - (1) Food and beverage industry [cooking robots and self-order systems], (2) Accommodation industry [automatic check-in machines],
      - (3) Retail industry [POS cash registers and shift management systems], (4) Living-related and personal services [barber, beauty, dry cleaning, ceremonial services] [POS cash registers and accounting management systems],
      - (5) Automobile maintenance and building maintenance [scan-tools for detecting failure efficiently, and cleaning robots],
      - (6) Manufacturing [robots and IoT systems], (7) Transportation [automated warehouses and unmanned forklifts],
      - (8) Construction [wearable camera to manage the condition of workers remotely], (9) Medical care [electronic medical record],
      - (10) Long-term care and welfare [long-term technology such as monitoring sensors],
      - (11) Childcare (mat-type afternoon nap sensors), (12) Agriculture, forestry and fisheries [spraying drones and automatic feeders for aquaculture]
    - \* Other industries, such as the security industry, will be added to the 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.
    - \* Measures will be taken to strengthen subsidies for labor-saving investment, subsidies for business improvement, subsidies to support capital investment in various industries, the Productivity Revolution Promotion Program (subsidies for Monozukuri, IT introduction, business succession and M&A, subsidies for the sustainability of small businesses, and subsidies for growth acceleration), and subsidies for entering new businesses.
- In order to secure human resources to promote productivity improvement of SMEs and small businesses in local areas, efforts will be made to strengthen the matching of management personnel with by-jobs/side-jobs, etc., including the "Vice President Once a Week" initiative.

### 2. Price path-through and ensuring proper transactions

- Thorough efforts will be made to pass on appropriate prices of both public sector demand by local governments (17.4 trillion yen) and public sector demand by the national government and independent administrative agencies (11 trillion yen).
  - Particularly, in order to pass on prices of public sector demand by local governments,
    - The national government will encourage local governments to make full use of priority support grants.
    - The national government will visualize the state of introduction of low bid price survey system and minimum price limit system in local governments (the introduction is voluntary) in a comprehensive manner and promote the introduction of both systems.
    - The national government will actively accept complaints and consultations from SMEs and small businesses through the "Subcontracting Help Center" and encourage local governments to take appropriate responses based on these complaints and consultations.
- In order to strengthen the enforcement of the Act to Amend the Subcontracting Act (Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operators), the systems of the Fair Trade Commission, the Small and Medium Enterprise Agency, and the ministries and agencies with jurisdiction over each industries will be strengthened, and stricter measures against violating enterprises (suspension of subsidies and eligibility to participate in bidding) will be considered and taken.
- The Labor Standards Inspection Offices will take new opportunities to supervise and provide guidance to enterprises and encourage SMEs and small businesses to secure resources for wage increases.

### 3. Business succession and M&A

- The national government will establish a support system in which all 3.36 million managers can consult at any time about business succession, M&A, etc.
  - In addition to strengthening the support system of business succession and support centers in 47 prefectures across the country, the government will promote consulting for business owners by regional financial institutions such as regional banks, Shinkin banks, and credit unions.
  - A new qualification system will be considered in light of variations in the expertise and ethics of M&A advisors. In addition, in order to address concerns about job retention and inappropriate buyers who do not remove management guarantees, measures will be examined to enable repurchase or termination of M&A contracts if agreements are violated after completing M&A.

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

- In order to develop Advanced Essential Workers (essential workers who earn higher wages than currently available through the use of digital technology, etc.), the government will promote re-skilling of digital technology, etc., and compensation improvement for front-line workers, who account for 60% of the working population.
- In order to raise official prices for medical, long-term care, childcare and welfare services, while continuing efforts to restrain the burden of insurance premiums through the expenditure reforms that have been implemented thus 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 management and wage increases for a wide range of workers in the field.

### 5. Minimum wage increase

- With regard to the minimum wage, the public and the private sector will intensively implement maximum measures over the next 5 years by supporting wage increases of SMEs and small businesses through proper price pass-through and backing for productivity improvement to achieve the high target of a 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 SMEs 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 enterprises; 2) improvement of productivity of SMEs and small enterprises through the enhancement of 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. 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 SMEs and Small Business" stipulates improvements in their productivity and the 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 minimum wage in excess of the guidelines set by the Central Minimum Wage Council, the government will provide focused 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

- The following initiatives will be promoted to stimulate domestic investment and capture demand in the Global South in order to achieve new public and private domestic investment targets of 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040:
  - \* If the new public and private domestic investment targets of 135 trillion yen in FY 2030 and 200 trillion yen in FY 2040 can be achieved, the nominal GDP will reach about 1,000 trillion yen in FY 2040, and medium- to long-term economic growth will be realized. In order to realize this future outlook, the government will increase next-generation investment in GX, DX (AI/Data), etc., by 1.8 times. (1) In the manufacturing industry, the government will create new demand and realize high added value through differentiation through GX and innovative technologies and service development through DX; (2) In the information and communications industry and professional service industry, the government will create new added value through exploitation of new demand; (3) In the essential service industry, the government will transform it into an advanced essential service industry by fully utilizing labor-saving facilities and services.
- Create and accelerate growth of medium-sized enterprises: Promotion of capital investment, R&D, and exports for the growth of medium-sized enterprises based on the "Vision for the Growth of Midsize Enterprises," acceleration of growth from SMEs to medium-sized enterprises, etc.
- Support R&D and exports in new winning fields: turning difficulties in our country (becoming the world's first super-aging society and facing disasters) into opportunities to tap growing overseas demand. In addition, the government will also strengthen our initiatives in fields with high potential and room for growth
  - (1) Healthcare: Toward 2050, developing the healthcare industry from the current 30 trillion yen to 80 trillion yen, aiming to "create a 100-trillion-yen healthcare market," and promoting expansion of our country's healthcare, medical, and nursing care-related industries to the Global South and other regions.
  - (2) Disaster prevention: Promotion of disaster prevention reduction through R&D and international deployment of disaster prevention technologies, such as DX for disaster prevention and rescue robots that can be used at disaster sites using cutting-edge technologies in AI and robotics
  - (3) Agriculture, forestry, fisheries and food industry: Export of more than half of the target value of agricultural and livestock products by production areas engaged in large-scale export activities; overseas dissemination by combining food and tourism of various regions of Japan, and combining animation works and food; brand protection and dissemination by utilizing geographical indications, etc.
  - (4) Content industry: Drastic reinforcement of measures such as support for overseas expansion and development of future creators, and improvement of an environment where creators can work sustainably with peace of mind, with the goal of expanding the overseas market for Japanese content to 20 trillion yen by 2033
  - (5) Tourism: In order to achieve the target of 60 million international visitors to Japan and 15 trillion yen in consumption by 2030, strengthening DMO functions by securing stable financial resources and developing and securing human resources for tourism resort management; providing priority support to pioneering DMO (Kyoto, Tanabe, Gero, Hakuba, etc.)
- Steady promotion of GX and DX and strengthening investment in economic security, etc.: Institutionalization of Pro-Growth Carbon Pricing to attract public and private investment of 150 trillion yen in the GX field  
AI and Semiconductor Industry Foundation Strengthening Framework to realize public and private investment of over 50 trillion yen, R&D and utilization of AI, and utilization of data in medical, financial and educational fields in the DX field
- Strengthening growth investments in PE funds: Steady promotion of alternative investments by the Government Pension Investment Fund (GPIF), advancement of university fund management, etc.
- Corporate governance reform and capital market reform: Revision of the Corporate Governance Code to further improve the earning power of companies, and strengthening the nomination function of the board of directors of companies with nominating committees, etc.
- Securing industrial land, which is a bottleneck for domestic investment (consideration of the revision of related laws and regulations to promote the systematic development of industrial land, consideration of the appropriate system of environmental regulations such as soil contamination countermeasures, etc.)

### IV. Strengthening the "Startup Development Five-year Plan"

- The number of startups in our country has increased 1.5 times, from 16,100 in 2021 to 25,000 at present, and the base of startups is expanding. However, the number of unicorns in our country is currently only 8, and there are issues with post-startup business growth, which the government will address.
  - Leveraging the potential of 58 colleges of technology (KOSEN) nationwide to build colleges of technology (KOSEN)-launched startup ecosystems nationwide (strengthening entrepreneurship education and support for colleges of technology (KOSEN) students and promoting open innovation between colleges of technology (KOSEN) and local SMEs)
  - Expansion of startup ecosystem startup cities from 8 to 13 (in addition to the existing eight cities (Sapporo/Hokkaido, Tohoku area, Tokyo area, Chubu area, Kansai area, Hiroshima, Kitakyushu, Fukuoka), five cities (Hokuriku, Nagano and Niigata, Setouchi, Kumamoto, Okinawa) were newly selected)
  - In order to nurture deep-tech startups, considering adding deep-tech startups after listing to the scope of the debt guarantee system and strengthening the provision of growth capital by NEDO from startup to operationalization and commercialization
  - Revision of the TSE's Continued Listing Criteria on the Growth Market from "market capitalization of 4 billion yen or more after 10 years from initial listing" to "market capitalization of 10 billion yen or more after 5 years from initial listing" in order for startups to grow to a market capitalization of 10 billion yen or more after initial listing, etc.

### V. Strengthening Science and Technology and Innovation Capabilities

- In light of the issues of declining basic research capabilities at universities and other institutions and the inability of enterprises to conduct effective research and development, efforts will be made to strengthen efforts to further enhance research and innovation capabilities, and to secure an internationally competitive environment for innovation locations.
  - Promoting innovation in strategic critical technology areas (formulation of tax incentives and standardization strategies); fostering an ecosystem in Japan from basic research to industrialization through biotechnology drug discovery
  - Support from a university endowment fund and support for regional core and distinctive research universities (selection from the second call for proposals for a University for International Research Excellence will be conducted, with subsidizing scheduled to begin in this fiscal year); strengthening the development of young researchers (enhancing opportunities for studying abroad and expanding support for international joint research)
  - Overseas expansion of digital-related services (in the digital-related balance, payments increased by 7.6 trillion yen over 10 years, while receipts increased by 2.9 trillion yen): Promoting overseas expansion of digital-related services, such as AI services and digital contents, through relevant ministerial meetings, from the perspective of securing leadership in game change and industrial structural transformation brought about by AI and digital technologies.
  - Strengthening initiatives in advanced science and technology field and developing frontiers (quantum technology, fusion energy, materials field, space, ocean, health and medical care, etc.)

### VI. Promoting investment in people and the active participation of diverse human resources

- Accelerating efforts of the Trinity labor market reform (re-skilling, job-based personnel management, and facilitating labor mobility), and promote the active participation of diverse human resources, including the promotion of by-jobs/side-jobs and the strengthened enforcement of equal pay for equal work.
  - Visualization and effective provision of information on skills and wage levels both inside and outside the company, and development of a system for developing executive candidates
  - Comprehensive inspection of work-style reforms after five years of the enforcement of work-style reform laws
  - Development of local industrial human resources amid changes in employment structure due to GX and DX (industrial human resource development plan), etc.

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

- The government will implement initiatives for promoting Japan as a leading asset management center, and support long-term and steady asset building by households.
  - Creating an environment in which people of all generations, from young to elderly, can achieve asset building in line with their individual life plans while improving their financial literacy
  - Enhancement of financial services and provision of diverse asset management products that contribute to the growth of SMEs
  - Advancement of asset management business and asset ownership, etc.

### VIII. Advancement of Local Economies

- The government will work to strengthen innovation bases in local areas, attract corporate capital to local areas, and develop infrastructure for a new era supporting local economies.
  - Strengthening innovation bases such as incubation facilities at regional core universities, campus-wide co-creation bases, and the AIST Bridge Innovation Laboratory and startup ecosystem bases in cooperation with regional core universities, enterprises, and local governments
  - Improvement of the Hometown Tax donation system for enterprises; consideration of bold incentives for active investment in local areas; positioning of growth investments such as regional development and startups in corporate governance; developing a "Regional Financial Power Enhancement Plan" by the end of the year
  - Promoting watt-bit collaboration and accelerating the social implementation of automated driving in local areas (selection of about 10 pre-operationalization areas nationwide and consideration of use for official vehicles)
  - Creation of new industries in Fukushima and other Tohoku regions, and recovery and reconstruction from the Noto Peninsula earthquake, etc.

### IX. Steady Promotion of Initiatives to Realize a New Capitalism

- The government will conduct a comprehensive, cross-ministerial review and revision of the long-standing fixed benchmark amounts and thresholds in 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.
- Relaxation of restrictions on the use of administrative data, etc.