Provisional Translation

Outline of Japan’s Growth Strategy

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Minister in charge of Japan’s Growth Strategy

Outline of Japan's Growth Strategy

Making Japan strong and prosperous through building a "strong economy"

1. Injecting public-private partnership strategic investments that enhance resilience against potential crises and investments that promote growth, centered on the 17 strategic fields

We will carry out comprehensive efforts to promote strategic investments that enhance resilience against potential crises that minimize various risks, and investments that promote growth, which will unlock the full potential of cutting-edge technologies

(1) -① Growth Based on Autonomy and Indispensability
(strategic investments that enhance resilience against potential crises)

Providing products and technologies that contribute to the resolution of commonly-shared global risks, both domestically and internationally

(1) -② Growth through innovation
(investments that promote growth)

Ensuring indispensability through excellence in science, technology and innovation

(2) Creating high added value through AI Transformation (AX) as an accelerator for growth

Focusing on establishing a competitive advantage in physical AI by leveraging our strengths, we will advance the modernization of all industries and generate high added value even under a declining population

(3) Multi-pronged investment with a long-term perspective to ensure sustainable growth

We view the entire strategic field as one portfolio and provide support whilst taking into account the different time horizons—current revenue streams, the next key revenue drivers, and seeds of future growth

(4) Coordination with the "Strategy for the Future of Regions"

We will form new industrial clusters linked to the 17 strategic fields and create an environment where bold investment in each region attracts further investment

Domestic public and private investment amounts for the 62 "key products and technologies" across the 17 strategic fields is expected to total over 370 trillion yen by FY2040

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Making Japan strong and prosperous through building a “strong economy”

2. Addressing the eight cross-sectoral challenges to expand domestic investment nationwide

Support domestic investment across 17 strategic fields and beyond, and expand it throughout Japan. Bolster promotion of the “Strategy for the Future of Regions”

①A new kind of technology-driven nation and Strengthening competitiveness, ②Startup, ③Unleashing the latent potential through finance, ④Fostering human resources, ⑤Labor market reforms, ⑥Easing the burdens of household chores and so on, ⑦Developing an Environment for Wage Increases, and ⑧Cybersecurity

3. Realizing the expansion of investment in the future

Break with excessive austerity and underinvestment in the future; strengthen capacity of supply side; and generate a virtuous cycle of GDP growth in which tax revenue increases organically

(1) Establishment of the ‘“Strong and Prosperous Japan” Investment Framework’

① A mechanism that allows the appropriate amount to be requested without imposing a so-called “ceiling”

② Measures that are highly effective in significantly boosting domestic private-sector capital investment and the potential growth rate are eligible

③ Budgetary measures will generally be based on multi-fiscal year plans, with flexible reviews of measures of limited investment-inducing outcomes

(2) Thoroughly strengthening public-private partnerships

(shifting the mindset towards an “investment-driven economy”)

(3) Building a PDCA mechanism

(4) Fundamental strengthening of strategic public relations

➡ **FY2040: Domestic private-sector capital investment of 250 trillion yen (public-private target); nominal GDP approaching 1,100 trillion yen based on estimates of the economic impact of measures such as the Japan’s Growth Strategy**

Promoting public-private investment in 17 strategic fields

1. Identification of 62 “key products and technologies”

Identified on the following basis:
(1) the necessity of reducing risks, such as those relating to domestic economic security;
(2) the potential for capturing overseas markets; and (3) the innovativeness of related technologies.

Fields	Key products and technologies
(1) AI and Semiconductors	① Physical AI (particularly AI robots)
	② Semiconductors, which form the core of Physical Intelligent Systems
	③ Vertical AI (domain-specific AI)
(2) Digital technologies and Cybersecurity	① Data Platforms
	② Secure AX/DX (AI transformation/digital transformation) Infrastructure for national and local governments
	③ Advanced security products and services designed for the AI era
	④ Cloud and Data centers, and Batteries
	⑤ Healthcare DX infrastructure optimized for cloud-native architecture
	⑥ Autonomous driving technologies
(3) Information and Telecommunications	① All-Photonics Network (APN)
	② Submarine cables
	③ Next-generation wireless (Non-Terrestrial Networks, 5G/Beyond 5G (6G), etc.)
(4) Quantum technologies	① Quantum computing
	② Quantum communication and networks
	③ Quantum sensing
(5) Defense industry	① Small Unmanned Aircraft systems
	② Naval vessels
	③ Dual-Use technologies
(6) Aviation and Space	① Civilian aircraft (next-generation single-aisle aircraft, next-generation aircraft)
	② Unmanned Aircraft systems
	③ Advanced Air Mobility
	④ Rockets and Launch sites
	⑤ Artificial satellites and services
	⑥ Lunar exploration and low Earth orbit technologies

Fields	Key products and technologies
(7) Ocean	① Unmanned maritime vehicles (Sea drones)
	② Maritime Domain Awareness (MDA)
	③ Innovative seabed development technologies/systems
(8) Shipbuilding	① Next-generation ships
	② Ship repair
	③ LNG carriers
(9) Materials (critical minerals and components)	① Permanent magnets
	② Green steel
	③ Innovative metal components
	④ Low-carbon metal components (excluding steel)
	⑤ Smelting, separation and refining, and dismantling and sorting technologies for primary raw materials (ore, etc.) and secondary raw materials (circular resources such as recycled materials)
	⑥ New composite materials developed using AI, etc.
(10) Synthetic biology and Biotechnology	① Biomanufacturing
	② Biopharmaceuticals and Regenerative medical products, etc.
(11) Drug discovery and Advanced medical care	① First-in-class and best-in-class products (Pharmaceuticals and Regenerative medical products)
	② Products for responding to infectious diseases
	③ Biopharmaceuticals and Regenerative medical products, etc. (repeated)
	④ Advanced medical devices utilizing innovative technologies(AI, robotics, etc.)
	⑤ Healthcare-related services utilizing personal data including lifelogs

Fields	Key products and technologies
(12) Natural resources and Energy security, and GX	① Next-generation solar cells (Perovskite solar cells, etc.)
	② Hydrogen and its derivatives
	③ Green steel (repeated)
	④ Next-generation geothermal energy
	⑤ Offshore wind power
	⑥ Next-generation advanced reactors
	⑦ GX in the chemical industry
(13) Fusion energy	① Fusion energy
(14) Disaster management and National resilience	① Disaster management technologies
(15) Port logistics	① Port cargo handling equipment
	② Cyber Port (Digital Transformation of Port logistics)
	③ Next-generation warehouses
(16) Food Tech	① Plant Factory
	② Land-based Aquaculture
	③ Food Machinery
	④ Future Foods
(17) Content industry	① Games
	② Anime
	③ Manga
	④ Music
	⑤ Live action

2. Formulation and implementation of a "Public-Private Investment Roadmap"

(1) <u>A "Public-Private Investment Roadmap" has been drawn up</u> for each of the 62 "key products and technologies."

- A "winning strategy" designed with accelerators in mind to resolve bottlenecks and encourage further investment
- A policy package encompassing support for domestic investment, the creation of demand and markets, the strengthening of location competitiveness, and international collaboration
- Public-private investment amounts and economic ripple effects

(2) With the 5W1H framework in mind, **<u>the Council for Japan's Growth Strategy will regularly check through the "PDCA mechanism</u>**."

- During the budget formulation process, including the preliminary budget request stage,

  (i) the formulation of multi-year measures, and

  (ii) the refinement and review of these measures in light of their implementation status and technological development trends

The eight cross-sectoral challenges

	Key Objectives (KPIs)	Key Initiatives (Examples)
① A new kind of technology-driven nation and Strengthening competitiveness	・Achieve **250 trillion yen** domestic investment by FY2040 ・Achieve a total of **180 trillion yen** in public-private R&D investment over FY2026-2030	・ **To promote "strategic investments that enhance resilience against potential crises" and "investments that promote growth"** To promote "strategic investments that enhance resilience against potential crises" and "investments that promote growth", **the '"Strong and Prosperous Japan" Investment Framework' will be established**. In sectors of particular importance to economic security, ① these will be managed under a separate special account, with sufficient funding secured over multiple financial years, and ② sufficient scale will be ensured through the issuance of government bridge bonds backed by repayment funds. ・ **Support for a group of core universities possessing high-level research capabilities that contribute to strengthening industrial competitiveness** A **new** system will be established to certify **universities with particularly high research capabilities in specific fields** and **sound management practices**, and **to provide medium- to long-term support** for their research and development and societal implementation. ・ **Fostering and attracting lead investors capable of supporting startups from the seed stage through to exit, and accelerating procurement from startups.**
② Startup	Number of startups 25,000 companies by 2025 → **100,000 companies** in the future	・ **Implementation of the "Comprehensive Startup Creation and Scale-up Package"** Provide comprehensive support for startups from the research and development stage onwards. **Establish a framework that enables pilot implementation and operation in real environments through commissioned contracts that generate revenue** (fundamental strengthening of the SBIR scheme). Utilization of the Ministry of Defense's version of the SBIR scheme. Providing comprehensive support from technology development through to procurement.
③ Unleashing the latent potential through finance	Achieve **250 trillion yen** domestic investment by FY2040	・ **Implementation of the "Financial Services Strategy to Promote Growth Investment"** Strengthening financial institutions' role in providing funds and supporting growth (e.g., establishing **the "Public-Private Strategic Investment Partnership Forum" (tentative name)**, clarifying exceptions to large-scale credit provision regulations, etc.). Developing deep and diverse financial markets (e.g., reviewing regulations to encourage the issuance of small-denomination and low-rated corporate bonds, etc.). Strengthening the Regional Financial Power (e.g., implementing the **"Regional Future Finance Action Plans"(tentative name),** which visualise challenges relating to SME support in each prefecture, etc.). ・ **Transition to growth-oriented corporate governance** Promotion of the **revised "Corporate Governance Code"** and the **"Guidance for Growth Investment."**
④ Fostering human resources	Enrolment quotas for science, engineering, agriculture, digital and healthcare fields 2024: 35% → **50%** by 2040	・ **Enhancement and strengthening of basic expenses and diverse competitive research grants** **Significant expansion of the Management Expense Grant for National University Corporation and Grants-in-Aid for Scientific Research.** ・ **Strengthening the development of science and technology talent at universities and other institutions** **Support for the reorganization of undergraduate programs at universities to focus on science and technology fields.**

The eight cross-sectoral challenges

	Key Objectives (KPIs)	Key Initiatives (Examples)
⑤Labor market reforms	Over a five-year period, increase labor productivity (value added per worker) **by 15%**	・**Review of working hours legislation to facilitate flexible and diverse working arrangements** With a view to realizing flexible and diverse working styles, whilst prioritizing the maintenance of physical and mental health and employee choice, **policy measures relating** to **working hours legislation** and other matters will be discussed at the Labor Policy Council from this summer onwards. Enhance consultation support for SMEs and other businesses on the conclusion of Article 36 Agreements and the utilization of flexible working-time systems, taking into account the actual state of overtime work. ・**Strengthening support for re-skilling and upskilling** In the 17 strategic fields and the social infrastructure sectors that support them, **we will provide end-to-end re-skilling support**, ranging from the standardization and visualization of skills to the development and provision of education and training programs.
⑥Easing the burdens of household chores and so on	Continued employment rate for women before and after the birth of their first child 69.5% by 2021 → **80%** by 2030	・**Support for balancing work with childcare, caregiving and other responsibilities** **Establishment of a national qualification (skills certification)** for housekeeping services. **Consideration of support measures, including tax incentives** for the use of housekeeping and babysitting services.
⑦Developing an environment for wage increases	By FY2029, across the Japanese economy as a whole, real wages are to **rise by approximately 1 per cent per annum**	・**Implementation of the "Strategy to Strengthen the Earning Power of Mid-sized and Small Enterprises in a Society Facing Labor Supply Constraints"** With regard to subsidies, we will revise **the system to include an assessment of current wage increase trends**, thereby encouraging early wage rises. **We will consider effective measures, including tax reforms, to provide targeted support to small and medium-sized enterprises that actively implement wage increases**. We will formulate and implement the "Plan to Accelerate Price Pass-through and Fair Trading Practices in Public Procurement", which will **vigorously** promote **the pass-through of costs in public procurement (particularly at the local government and independent administrative agency levels)**. We will enhance and expand the "Labor-Saving Investment Promotion Plans" across 12 sectors. We will strengthen the mechanism for creating companies with annual sales of 10 billion yen and establish a new mechanism (for small-scale businesses with annual sales of 100 million to 1 billion yen) to broaden the base of growth-oriented SMEs. To promote M&A and business succession among SMEs, we will consider **establishing (and legislating for) a qualification system for individuals providing SME M&A support**.
⑧Cybersecurity	Achieve a **100%** rate of critical infrastructure operators implementing the necessary protective measures by the end of FY2031	・**Implementation of specific measures based on the "Cybersecurity Strategy" (December 2025)** Establish systems to enable Active Cyber Defense (including the development and expansion of systems for incident reporting and public-private information sharing). **Formulation and implementation of unified standards** to ensure thorough implementation of basic measures in **critical infrastructure sectors** (information and communications, finance, electricity, gas, etc.).