

Highlights of the FY2023 Draft Budget

Overview of the FY2023 Budget Framework

(Unit : billion yen)

Expenditure		FY2022 budget (initial)	FY2023 budget	Amount of change
General	Expenditure	67,374.6	72,731.7	5,357.1
	Social Security Expenditure	36,273.5	36,888.9	615.4
	Non-Social Security Expenditure	26,101.1	30,842.8	4,741.7
	National Defense Expenditure excluding (*)	5,368.7	6,788.0	1,419.2
	The Carry-Over to Defense Buildup Funds (tentative name)(*) ※Funds will be established under the Securing Financial Resources Act (tentative name)	—	3,380.6	3,380.6
	Contingency Fund for COVID-19 and Measures to Address Soaring Crude Oil and Commodity Prices	5,000.0	4,000.0	-1,000.0
	Contingency Fund for Economic Emergency (including the impact from the Ukraine Crisis)	—	1,000.0	1,000.0
Local Allocation Tax Grants, etc.		15,882.5	16,399.2	516.6
National Debt Service		24,339.3	25,250.3	911.1
Total		107,596.4	114,381.2	6,784.8
Revenue		FY2022 budget (initial)	FY2023 budget	Amount of change
Tax Revenue		65,235.0	69,440.0	4,205.0
Other Revenue		5,435.4	9,318.2	3,882.8
	Of which the Revenue is for Defense Buildup	—	4,591.9	4,591.9
	of which is by the Securing Financial Resources Act (tentative name)	—	1,475.0	1,475.0
Government Bond Issuance		36,926.0	35,623.0	-1,303.0
	Construction Bonds	6,251.0	6,558.0	307.0
	Special Deficit-Financing Bonds	30,675.0	29,065.0	-1,610.0
Total		107,596.4	114,381.2	6,784.8

(Note 1) The FY2022 budget is reclassified for a comparison with the FY2023 budget.

(Note 2) Figures may not add up to the totals due to rounding.

(Note 3) "Tax Revenue" includes stamp revenue.

(Note 4) Bond Dependency Ratio for FY2023 Budget is 31.1%.

Highlights of the FY 2023 Budget

FY2023 Budget: Setting a course for dealing with the domestically and internationally important challenges facing Japan and opening the way for the future at the historical turning point

Responding to Domestically and Internationally Important Issues Facing Japan

Security and Diplomacy

- New National Security Strategies will be formulated based on the national security environment surrounding Japan. The defense buildup program of 43 trillion yen will be made in order to reinforce defense capabilities dramatically within five years. The Revenue will be secured for maintaining stable defense capabilities.
- The budget is secured to develop the adaptive and powerful “realism diplomacy for a new age” for the G7 summit in Hiroshima and the 50th Year of ASEAN-Japan Friendship and Cooperation. (Budget for MOFA*: 756 billion yen in FY2023 (+48.5 billion yen), 1.0233 trillion yen if combined with the supplementary budget of FY2022 (+169.4 billion yen)). *including the budget appropriated by the Digital Agency.

Policies related to Children

- “The Children and Family Agency” will be established in April 2023, and support for children and child-rearing will be enhanced.
- The amount of the lump sum allowance for childbirth and childcare will be increased from 420,000 yen to 500,000 yen. (The markup is the biggest ever.)
- The package including the support written below will be continued.
 - Providing easier access to consultation about pregnancy, childbirth and child-rearing consistently
 - Providing financial support to the families who have submitted pregnancy or childbirth notification (approx. 100,000 yen)

Local Government Finance and Vision for a Digital Garden City Nation

- The amount of local allocation tax grants for local governments is 18.4 trillion yen, which is the largest amount since the global financial crisis of 2007–2008.
- Based on the formulation of “The comprehensive strategies for Vision for a Digital Garden City Nation,” subsidies for the promotion of the Vision for a Digital Garden City Nation is used (100 billion yen in FY2023 +80 billion yen of the 2nd supplementary budget of FY2022). The government will support measures such as promotion of tourism or agriculture, forestry and fisheries industries by acceleration of digitalization of local governments and utilization of the digital technology in order to revitalize local economies.

G X

- The Government will create a system to support private GX investment by issuing “GX Economy Transition Bonds” funded by future financial resources through embodying the vision of “Pro-Growth Carbon Pricing.”
- The support for development for innovative technologies or introduction of clean energy vehicles for the achievement of the 2050 Carbon Neutral Goal will be started. (0.5 trillion yen is appropriated to Special Account for energy measures. 1.6 trillion support if added with the 1.1 trillion yen of the supplementary budget of FY2022).

Wise spending

- The government will continue existing efforts to reform government expenditures based on the “Basic Policy on Economic and Fiscal Management and Reform.”
 - Social security expenditure: approx. +410 billion yen (increase due to the aging population (excluding the amount of the pension slide: +approx. 220 billion yen))
 - Non-social security expenditure: approx. +4,741.7 billion yen (approx. +150 billion yen excluding the expenditure for building up defense, which is non-tax revenue (4,591.9 billion yen))(While achieving the increased budget for national defense, the government continues the existing measures by flexibly responding based on economic and price trends) *Average increasing of CPI between 2013 to 2021 is approx. 0.38%. The average increased amount of the expenditure for non-social security(initial) is approx. 33 billion yen. The increased rate of CPI is estimated to be +1.7% in 2023.
- Reducing the amount of new government bond issuance (FY2022(Initial): 36.9 trillion yen ⇒ FY2023: 35.6 trillion yen)

Characteristics of Each Expenditure (1)

【Social Security】

- The burden of citizen is lessened by revision of drug price (NHI) considering the drop of the market price. (-310 billion yen, -72.2 billion yen in Central government expenditure). In here, the promotion of innovation and the sharp price hike of the ingredients are considered. Through these measures, the policy to reduce the real growth of social security expenditure (+approx. 410 billion yen) within the increase due to the aging of the population (+approx. 560 billion yen) will be achieved (Excluding the amount of the pension slide).
- Through the reform of the social security system for all generations, not only the reform of the Advanced Elderly Medical Service System from perspective of the burden based on the affluence, but also an increase of the lump sum allowance for Childbirth and Childcare to 500,000 yen (+80,000 yen).
- The package including the support written below will be continued.
 - Providing easier access to consultation about pregnancy, childbirth and child-rearing consistently
 - Providing financial support to the families who have submitted pregnancy or childbirth notification (approx. 100,000 yen)
- Regarding Public Assistance, basically, the result of the inspection by the experts should be reflected. Meanwhile, special premium (1,000 yen per month) is distributed based on the current macroeconomic situation. Only household who faces a decrease as a result of above changes is ensured for present amount of allowance.

【National Defense】

- Defense expenditure (*) will be secured 6.8 trillion yen which is far beyond the levels until the previous year (+ 1.4 trillion yen), based on the New National Security Strategy and others. As the first year of the Defense Buildup Program, defense forces, especially the prioritized sectors such as Stand-Off capability, Integrated Air and Missile Defense (IAMD) and basic facility is radically reinforced.
- *carry-over to the Defense Buildup Fund is excluded.

【Diplomacy】

- While international situation, including the Russian Invasion to Ukraine, is changing rapidly, for the G7 summit in Hiroshima and the 50th Year of ASEAN-Japan Friendship and Cooperation, the adaptive and powerful “realism diplomacy for a new age” is needed. Therefore, based on the extraordinary yen depreciation and price hike, ODA (Official Development Assistance) and expenditure for regular diplomatic activity (fundamental cost), including personnel expenses in Overseas Diplomatic Establishments will be secured in priority (the Budget of Ministry of Foreign Affairs in FY2023 is 756 billion yen (+ 48.5 billion yen). Combined with the 2nd Supplementary Budget in FY2022, 1.0233 trillion yen (+ 169.4 billion yen)).

【Coast Guard】

- Based on the policy of reinforcement of the coast guard capability, Japan Coast Guard is reinforced, including utilization of the new technologies such as pilotless aircrafts(243.1 billion yen(+20 billion yen).

【Police Facilities】

- For the safety holding of the G7 Summit in Hiroshima and ensuring the safety of high officials, and prevention of the terrorism and the violation against law, adopting all possible measures and promoting the securing of safety in Cyber space

【Local Governments Finance】

- The amount of local allocation tax grants for local governments is 18.4 trillion yen (+0.3 trillion yen). Due to the recovery of tax revenue in both the national and local governments, the issuance of extraordinary financial countermeasures bonds is reduced (-0.8 trillion yen), whereas the borrowing borne by the Special Accounts for Local allocation tax is redeemed (1.3 trillion yen). The total amount of general revenue is secured appropriately.

Characteristics of Each Expenditure (2)

【DX and Regional Revitalization】

- The realization of a digital society by transition to the shared cloud services and expanding the structure of the Digital Agency will be accelerated.
- Based on the formulation of “The comprehensive strategies for Vision for a Digital Garden City Nation,” subsidies for the promotion of the Vision for a Digital Garden City Nation is used (100 billion yen in FY2023 +80 billion yen of the 2nd supplementary budget of FY2022). The government will support measures such as promotion of tourism or agriculture, forestry and fisheries industries by acceleration of digitalization of local governments and utilization of the digital technology in order to revitalize local economies. Local digital infrastructures such as optical fibers and 5G base stations will be developed.

【Reconstruction】

- A meticulous support will be provided to meet the needs of the affected areas in accordance with the stage of reconstruction. The government will promote initiatives for full-scale reconstruction and revitalization, such as promoting the return and migration of affected areas, dispelling rumors, through support for victims such as mental health care and the development of interim storage facilities in nuclear-affected areas, and measures for handling ALPS Treated Water. The measures such as the establishment of “Fukushima Institute for Research, Education and Innovation” which will be core center for creative reconstruction will be promoted.

【GX, Energy and Environment】

- The government will use Special Account for energy measures and create a system to support private GX investment by issuing “GX Economy Transition Bonds” backed by future financial resources through Carbon Pricing. The expenditure of the Special Account for energy measures will be increased by 0.5 trillion yen including the innovative technical development (456.4 billion yen), the introduction of clean energy vehicles (33.6 billion yen) and R&D for next-generation nuclear reactors (12.3 billion yen) for the achievement of the 2050 Carbon Neutral Goal will be started. The government will start the support of 1.6 trillion yen when combined with 1.1 trillion yen of the supplementary budget of FY2022 under the frame of GX investment by new “Pro- Growth Carbon Pricing(*)”. *Its bill is planned to be submitted to the coming ordinary session of the Diet.

【Science and Education】

- As an investment for science technology and innovation, not only promoting R&D of essential cutting-edge technology such as quantum, AI, strategically but also extending support for basic research and young researchers.
(the promotion of science and technology 1.4 trillion yen (+15.4 billion yen))
- Promoting the introduction of a “subject-based teacher system” for science, math, and other subjects in the upper grades of elementary school and creating an environment in which teachers can concentrate on teaching by utilizing outside personnel and proving easier access to consultation for students with difficulties such as bullying or school refusal.

【Public Works】

- Securing the budget for public work projects stably (6.06 trillion yen(+2.6 billion yen)). In this context, disaster prevention and mitigation and national land resilience will be promoted, including measures to efficiently prevent aging deterioration by using cutting-edge technology, control floods by taking both hard and soft measures and acceleration of development of capability for anticipating flood by advanced digital technologies.
- Rebuilding Local Public Transportation Package is established in General Social Infrastructures Development Subsidies. Rebuilding local public transportation network is promoted by the complete reform linked with the planning for compact city by the local government by reforming the public infrastructure including railroads. Subsidies will be distributed by larger amount if the plan is worked out for tackling the key policies such as utilizing cutting-edge technology and rebuilding local public transportation.

【Agriculture, Forestry and Fisheries】

- For Strengthening food security, combining stable import and appropriate storage and promoting production of field crops such as vegetables, wheat and beans by the support for transition from rice-specialized-field to field for general crops. Furthermore, as a reform of feed rice production, the amount of subsidy for general breed is going to be gradually decreased from 2024.

The FY2023 Budget: Major Expenditure Items

(Unit: billion yen)

	FY2022 Budget (initial)	FY2023 Budget	Amount of change	Ratio of change	Note
General Expenditure	67,374.6	72,731.7	5,357.1	8.00%	
Social Security	36,273.5	36,888.9	615.4	1.70%	
Education and Science	5,390.1	5,415.8	25.7	0.50%	
of which Science	1,378.7	1,394.2	15.4	1.10%	
Former Military Personnel Pensions	122.1	97.0	-25.2	-20.60%	
Natinal Defense	5,368.7	10,168.6	4,799.9	89.40%	
excluding *	5,368.7	6,788.0	1,419.2	26.40%	As the first year of the Defense Buildup Program, expenditures for the plan is increased by + 1.4 trillion yen (+27.4%)
The Carry-Over to Defense Buildup Funds (tentative name)(*)	-	3,380.6	3,380.6	-	
Public Works	6,057.4	6,060.0	2.6	0.00%	
Economic Assistance	510.5	511.4	0.8	0.20%	
cf)Official Development Assistance	561.2	570.9	9.8	1.70%	Largest increase since FY1997 when the level peaked
Measures for SMEs	171.3	170.4	-0.9	-0.50%	Decrease in the credit guarantee related budget based on lending trends
Energy	875.6	854.0	-21.7	-2.50%	Decrease in the carry-over based on the increase of in the surplus of Special Account for energy measures
Food Supply	1,269.9	1,265.4	-4.6	-0.40%	Decrease based on the review of rice policy-related measures : -11 billion yen
Miscellaneous	5,835.4	5,800.4	-35.0	-0.60%	
Contingency reserve	500.0	500.0	-	-	
Contingency Fund for COVID-19 and Measures to Address Soaring Crude Oil and Commodity Prices	5,000.0	4,000.0	-1000.0	-20.00%	
Contingency Fund forEconomic Emergency (including the impact from the Ukraine Crisis)	-	1,000	1,000	-	
Local Allocation Tax Grants,etc,	15,882.5	16,399.2	516.6	3.30%	Securing the same level of total general funds as the previous fiscal year
National Debt Services	24,339.3	25,250.3	911.1	3.70%	Increase in redemption of the National Debt.
Total	107,596.4	114,381.2	6,784.8	6.30%	

(Note1) FY2022 budget is reclassified for a comparison with the FY2023 budget.

(Note2) Figures may not add up to the total due to rounding.

(Note3) General Expenditure is defined as General Account Total Expenditure minus National Debt Service and Local Allocation Tax Grants, etc.

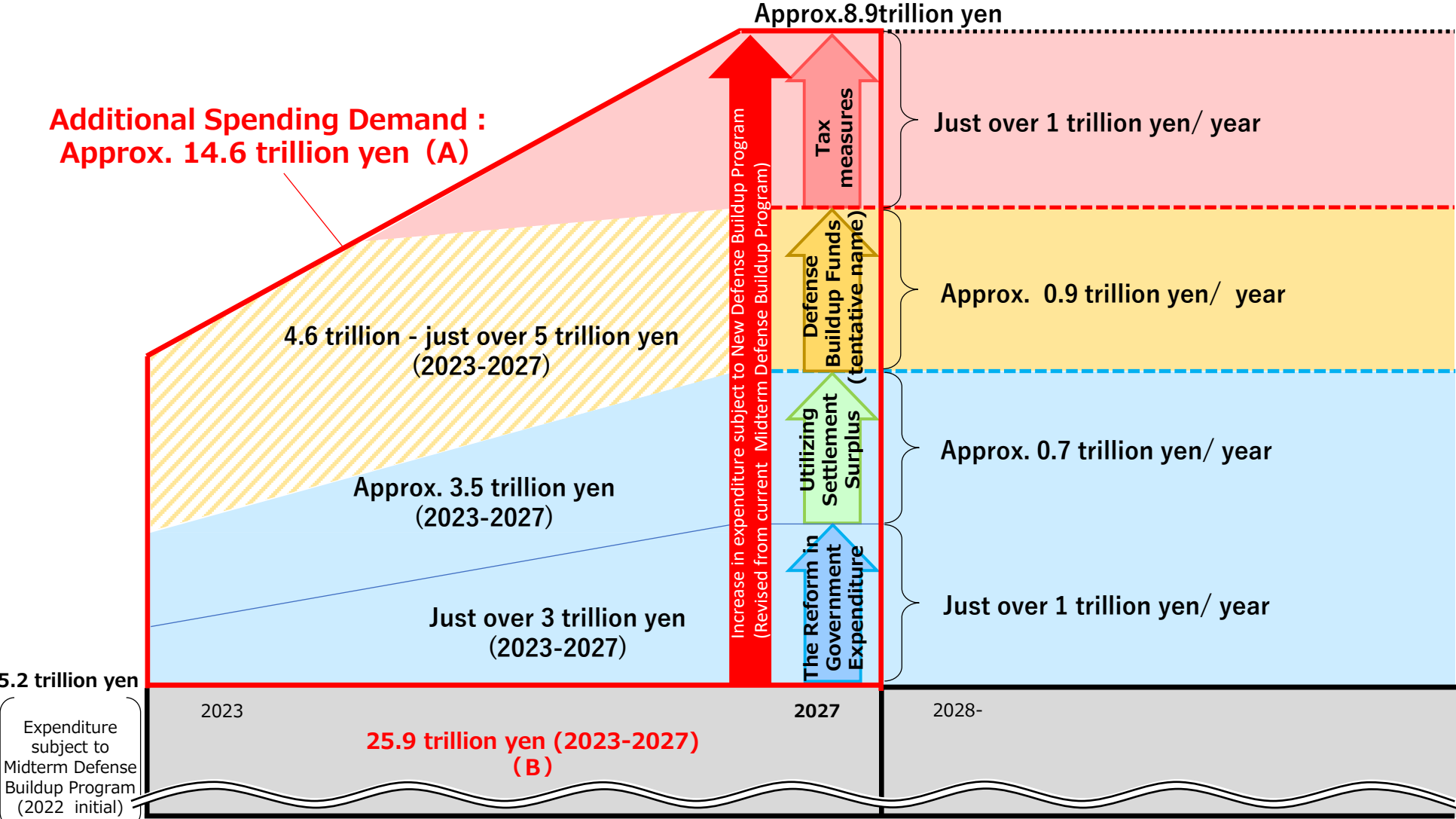
Securing Resources related to New Defense Buildup Program

Expenditure for defense capability buildup : Approx. 43.0 trillion yen

Total amount of the budget : Approx. 40.5 trillion yen (A+B)

NOTE) The diagram below shows the rough outline.

Approx. 2.5 trillion yen
(Various methods to achieve the level of defense force development)



Details of Securing Resources related to New Defense Buildup Program

Defense Buildup Funds (tentative name)

- New fund framework(Defense Buildup Funds (tentative name)) is planned to be established under Securing Financial Resources Act (tentative name) in FY2023 in order to systematically and stably allocate non-tax revenues etc. for defense buildup.
- Defense Buildup Funds (tentative name) shall belong to the general account, shall be administered by the Minister of Finance, and may only be used in accordance with the budgetary provisions only if they are used to finance costs subject to the Defense Buildup Program.

Non-Tax Revenues

- Approx. 4.6 trillion yen will be secured from non-tax revenues written below in FY 2023 for defense buildup. Of which the amount(approx. 3.4 trillion yen) in excess of the amount (approx. 1.2trillion yen) required in FY2023 will be transferred to Defense Buildup Funds (tentative name) and will be used as financial resources for FY2024 (Approx. 1.5 trillion yen will be under the Securing Financial Resources Act (tentative name) including approx.1.2 trillion yen from the carry-over transferred from the Foreign Exchange Fund in FY2023, 0.2 trillion yen from carry-over of the deposit of Fiscal Loan Fund Account from carry-over of Special Account for Fiscal Investment and Loan, and 0.1 trillion yen from the return to the national treasury from expectedly unused deposits of National Hospital Organization and Japan Community Health care Organization.).
 - ① Carry-over from Special Accounts
 - Carry-over from Foreign Exchange Fund (the estimated surplus for FY2022and the estimated surplus of the progressing FY2023 are included)(approx. 3.1 trillion yen)
 - Carry-over from Fiscal Investment and Loan Program Funds (Carry-over from Fiscal Loan Fund and Investment Accounts (approx. 0.6 trillion yen))
 - ② Return to national treasury of unused deposits and funds accumulated as the result of the budgets for the COVID-19.
 - Return to national treasury from expectedly unused deposits from National Hospital Organization and Japan Community Health care Organization (approx. 0.1 trillion yen)
 - Return to national treasury from expectedly unused funds for Covid-19 by Organization for Small & Medium Enterprises and Regional Innovation (approx. 0.2 trillion yen)
 - Return to national treasury from expectedly unused loan resources related to Temporary Loan Emergency Funds(approx. 0.1 trillion yen)
 - ③ Revenues from the sale of government-owned properties
 - Proceeds from the sale of government holdings in “Otemachi PLACE” (approx. 0.4 trillion yen)

Utilizing Settlement Surplus

- The average level of the Settlement Surplus of recent 10 years (2012-2021) is approx. 1.4 trillion yen per year.
(One half of the amount, which is the limit of utilization under the Fiscal Code, is approx. 0.7 trillion yen per year and the cumulative amount from 2023 to 2027 is approximately 3.5 trillion yen.)

The Reform in Government Expenditure

- With regard to non-social security expenditures, the government will continue existing efforts to improve government expenditures (approx. +150 billion yen) and secure financial resources for approx. 210 billion yen which is a part of the increase in expenditure subject to Defense Buildup Program.

The overview of Budget related to social security in FY2023

- The budget in FY2023 related to social security is 36.9 trillion yen(+620 billion yen from previous year(36.3 trillion yen)). Considering the Economic and price trends, the policy to reduce the real growth of social security-related expenses within the increase due to the aging of the population has been achieved. (the increase due to the aging is approx. 410 billion yen besides of the pension slide approx. 220 billion yen).

Revision of Drug Price	-70 billion yen
Raising payments for Advanced Elderly Medical Service System	-40 billion yen
Abolishing the special treatment of Employment Adjustment Subsidy	-30 billion yen
Revision of the Subsidy for local governments supporting measures of long-term care insurance system	-10 billion yen
Revision of Livelihood assistance Standard	+10 billion yen
etc.	

Natural increase
+ approx. **780**
billion yen
Excluding the
pension slide*
+ approx. **560**
billion yen

Reform and optimization
- approx. **150** billion yen

FY2023 initial budget
36.9 trillion yen
(+ 620 billion yen)

the increase due to the
aging of the population
+ approx. 630 billion yen

Excluding the
pension slide*
+ approx.
410 billion yen

FY2022
36.3 trillion yen

* The changing rate for the pension has changed in FY2023 is +1.9% for continuous pensioners and +2.2% for new pensioners (given the current expectation of the price increase rate (+ approx. 220 billion yen)).
Cf. the latest plus revision was +0.2% in FY2020.

(FY2023 Revision of Drug Price)

- This is the 2nd time as Revision of Drug Price without Revision of Medical Fee Point. Same as the 1st time, based on the perspective of lessening burden of citizens, Drug price whose deviation is more than 4.375%(*) is revised

* multiplied **average Deviation (7.0%)** by **0.625**

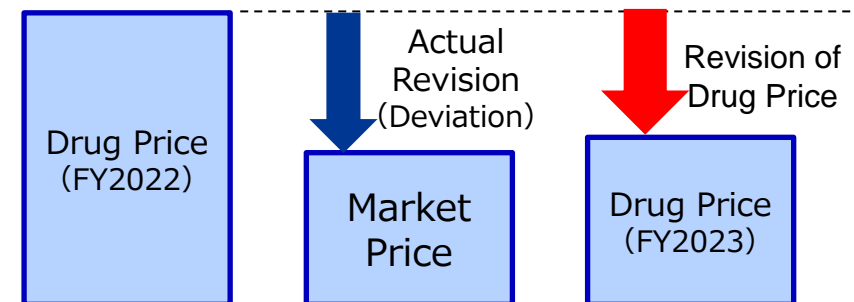
- These reforms are going to follow the below as an extraordinary operation.

• For dealing with the sharp price hike of the ingredients, **recalculation rule for unused items is extraordinarily adopted to all drugs.**

• From perspective of the promotion of innovation, **Innovativeness Premium** is increased in order to keep drug price level same as previous price.

→ Realizing the lessening burden of citizens by 310 billion yen (-72.2 billion yen in central government)

<The chart of Revision of Drug Price >



"Improvement of the Quality" of the Budget (1)

Reflection of Budget Execution Survey and the Administration Expenditure Review

- **The Subsidy for local governments supporting measures of long-term care insurance system** is revised because it played a similar role with the Subsidy for local governments supporting recipients' effort in long-term care insurance system based on **the result of the Budget Execution Survey and what is pointed out in the Administration Expenditure Review in the Budget in FY2023 (- 5 billion yen)** .

Improving efficiency by promoting digitalization

- **Information System** is optimized by the transition to **the shared foundation such as shared cloud service and GSS**(Government Solution Service).
(GSS is expected to decrease the running cost by approx. 10 billion yen by FY2027 by the integration of the LAN in each ministry)
- **Basic statistics conducted by the Ministry of Internal Affairs** is digitalized based on the final report of the Committee of Statistics. Office expenses is decreased, and the quality of statistics is improved by revision of electronic questionnaire which increases the rate of online response and reduces human errors.
- **Japan Coast Guard** is going to revise the responsibilities of aircrafts and helicopter **by intensively deploying the pilotless aircrafts** with cutting-edge technology in order to **both reinforce and optimize the capability of surveillance the wide ocean**.

Efficiency and rationalization of defense force development

- Achieved **efficiency and rationalization effects** of -257.2 billion yen by suspending operations of less important equipment and optimizing procurement through the use of long-term contracts and close examination of costs, etc. across the entire range of **defense equipment**.

"Improvement of the Quality" of the Budget (2)

Introduction of incentive function for each objective of policies

- Regarding the collaborative activities between school and local community which support the educational activity by the involvement of the various actors in the local community, **new allocation system is introduced to distribute budget intensively to effective measures for tackling the major issues in school such as reforming teachers' work style.**
- As a reform of **feed rice production**, considering the fact that farmers earn more profit than cooking rice and the data showing that both the planted acreage and production amount exceed the that of objective in 2030 respectively, **the amount of subsidy for general breed is going to be gradually decreased from 2024** in order to enhance the productivity by the promoting the mass product breed and **premium** for 3 years contract **is abolished** because planting based on 3 years contract is prevailed (-11 billion yen in FY2023) .

Fiscal consolidation of the local governments

- **Redemption of Borrowing borne by the special accounts for local allocation tax is accelerated** (1.3 trillion yen which is far beyond 0.5 trillion yen in the previous plan) and issuance of **local government bonds for the extraordinary financial measures is decreased to 1.0 trillion yen which is lowest level ever.**

(Reference)

The FY2023 Budget Framework

(Unit : billion yen)

	FY2022 budget (initial)	FY2023 budget	FY2022 → FY2023	Notes
(Expenditure)				
General Expenditure	67,374.6	72,731.7	5,357.1	
Social Security Expenditure	36,273.5	36,888.9	615.4	
Non-Social Security Expenditure	26,101.1	30,842.8	4,741.7	
o/w National Defense(excluding (*))	5,368.7	6,788.0	1,419.2	
o/w The Carry-Over to Defense BuildUp Funds (tentative name)(*)	-	3,380.6	3,380.6	
Contingency Fund for COVID-19 and Measures to Address Soaring Crude Oil and Commodity Prices	5,000.0	4,000.0	-1,000.0	
Contingency Fund for Economic Emergency (including the impact from the Ukraine Crisis)	-	1,000.0	1,000.0	- Defense Buildup Funds (tentative name) will be established under the Securing Financial Resources Act (tentative name)
Local Allocation Tax Grants, etc.	15,882.5	16,399.2	516.6	
National Debt Services	24,339.3	25,250.3	911.1	
o/w Redemption of the National Debt(excluding Subsidy Bonds)	15,632.5	16,389.5	756.9	
o/w Interest Payments	8,247.2	8,472.3	225.0	
Total	107,596.4	114,381.2	6,784.8	
(Revenue)				
Tax Revenue	65,235.0	69,440.0	4,205.0	
Other Revenue	5,435.4	9,318.2	3,882.8	
o/w the Revenue for Defense Buildup	-	4,591.9	4,591.9	- Including the revenue by the Securing Financial Resources Act (tentative name) for defense buildup (1,475.0 billion yen).
Government Bond Issuance (difference between the Expenditure and Tax Revenue, etc.)	36,926.0	35,623.0	-1,303.0	- Bond Dependency Ratio: 31.1%
Amount Equivalent to Redemption of the National Debt (excluding Subsidy Bonds)	15,632.5	16,389.5	756.9	- Construction Bond Issuance FY2022: 6,251.0 billion yen → FY2023 : 6,558.0 billion yen
Amount Equivalent to Interest Payments	8,247.2	8,472.3	225.0	- Special Deficit-Financing Bond Issuance FY2022 : 30,675.0 billion yen → FY2023 : 29,065.0 billion yen
Amount Equivalent to Deficit from Policy Expenditure (Primary Deficit)	13,046.2	10,761.3	-2,285.0	- Fiscal Balance Deficit (total amount equivalent to interest payments and deficit from policy expenditure) is 19.2 trillion yen.
Total	107,596.4	114,381.2	6,784.8	

(Note 1) The FY2022 budget is reclassified for a comparison with the FY2023 budget.

(Note 2) Figures may not add up to the totals due to rounding.

(Note 3) "Tax Revenue" includes stamp revenue.

(Note 4) The classification of "Government Bond Issuance" is made from the perspective of the primary balance and fiscal balance, and the term "Amount Equivalent to" is used because the revenue of government bond issuance will not be immediately appropriated to the redemption of the national debt and interest payments.

【Government Bond Outstanding, etc.】

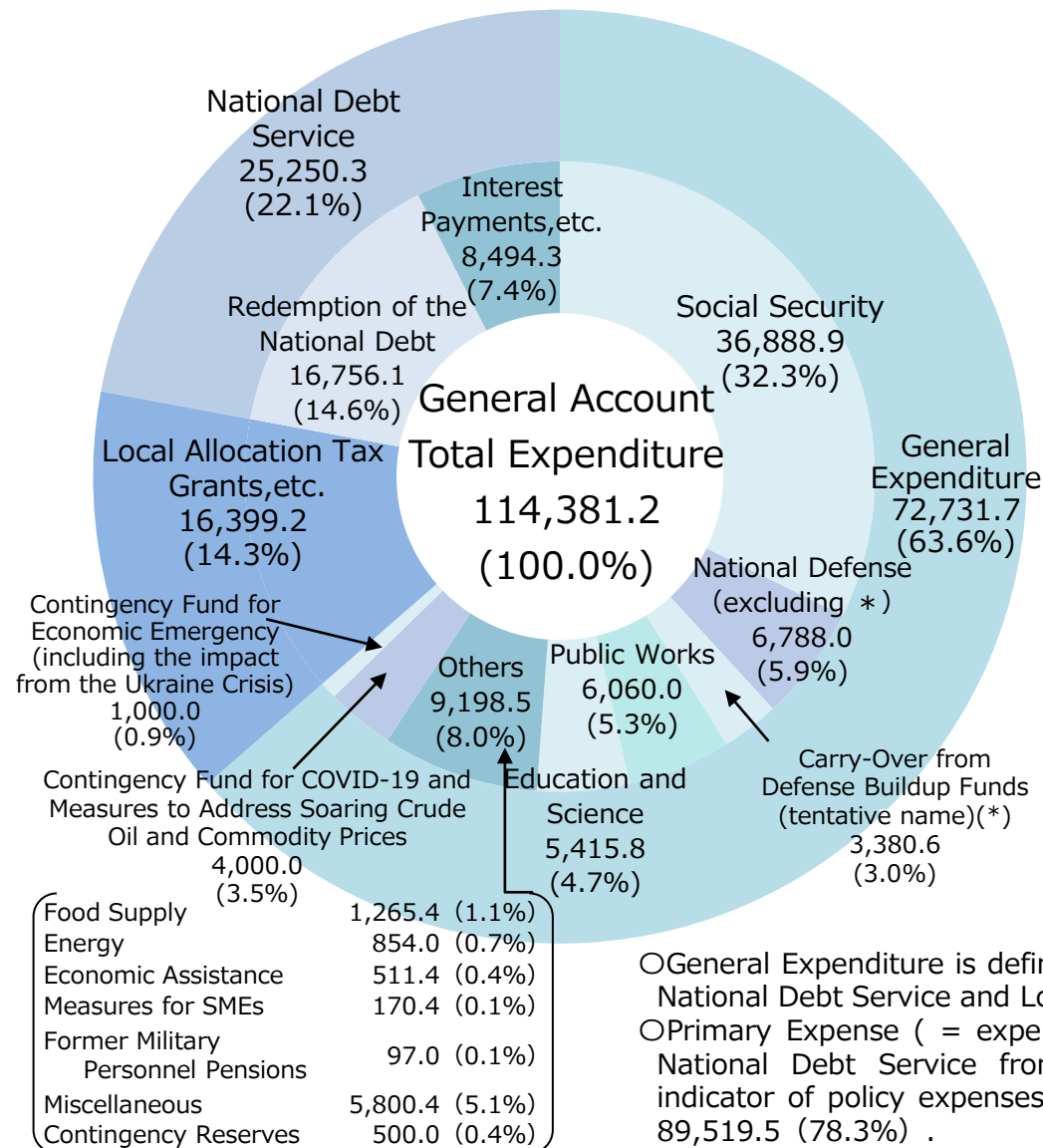
(Unit : trillion yen)

	Estimate at the end of FY2022 (FY2022 initial budget)	Estimate at the end of FY2023 (FY2023 budget)	FY2022 → FY2023	Notes
Government Bond Outstanding	1,026.5	1,068.0	41.5	- Fiscal Balance Deficit about 19.2tn yen
Nominal GDP	564.6	571.9	7.3	Additional Debt in the FY2022 Supplementary Budget about 25.6tn yen
Government Bond Outstanding / GDP ratio	181.8%	186.7%	4.9%	Redemption through transfer of surplus in the FY2022 Supplementary Budget
(Reference) Planned Government Bond Issuance	190.0	193.8	3.7	about -0.7tn yen
o/w Amount in General Account	36.9	35.6	-1.3	Decrease in Advanced Refunding Bonds about 5.0tn yen
o/w Amount in Special Account for the Government Debt Consolidation Fund)	152.9	157.6	4.6	Reflection of actual issuance results, etc. about -7.6tn yen
Total				about 41.5tn yen

(Note) National GDP is the annual figure based on the government's economic forecast for the relevant fiscal year.

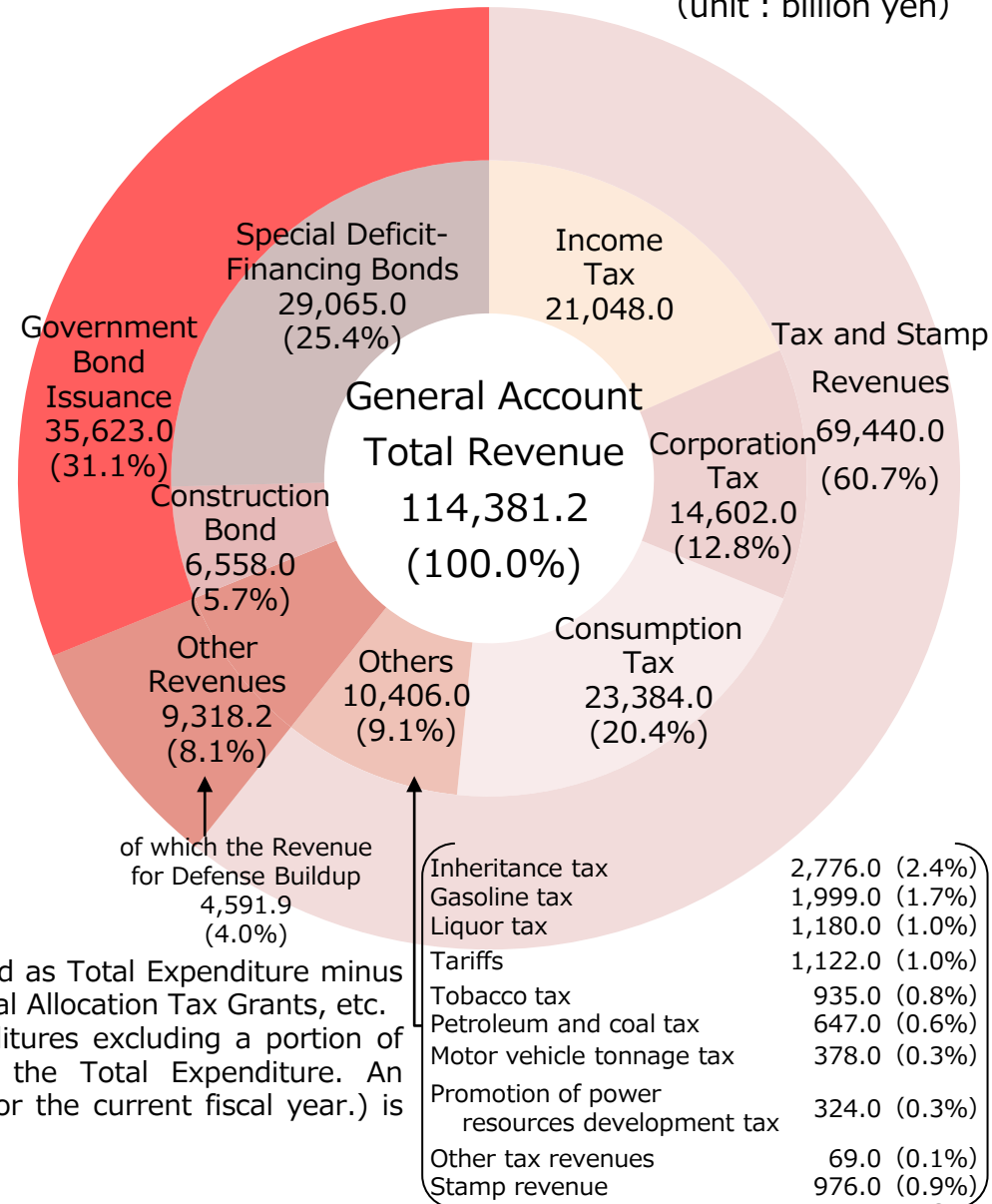
The FY2023 Budget: Expenditure and Revenue

General Account Expenditure

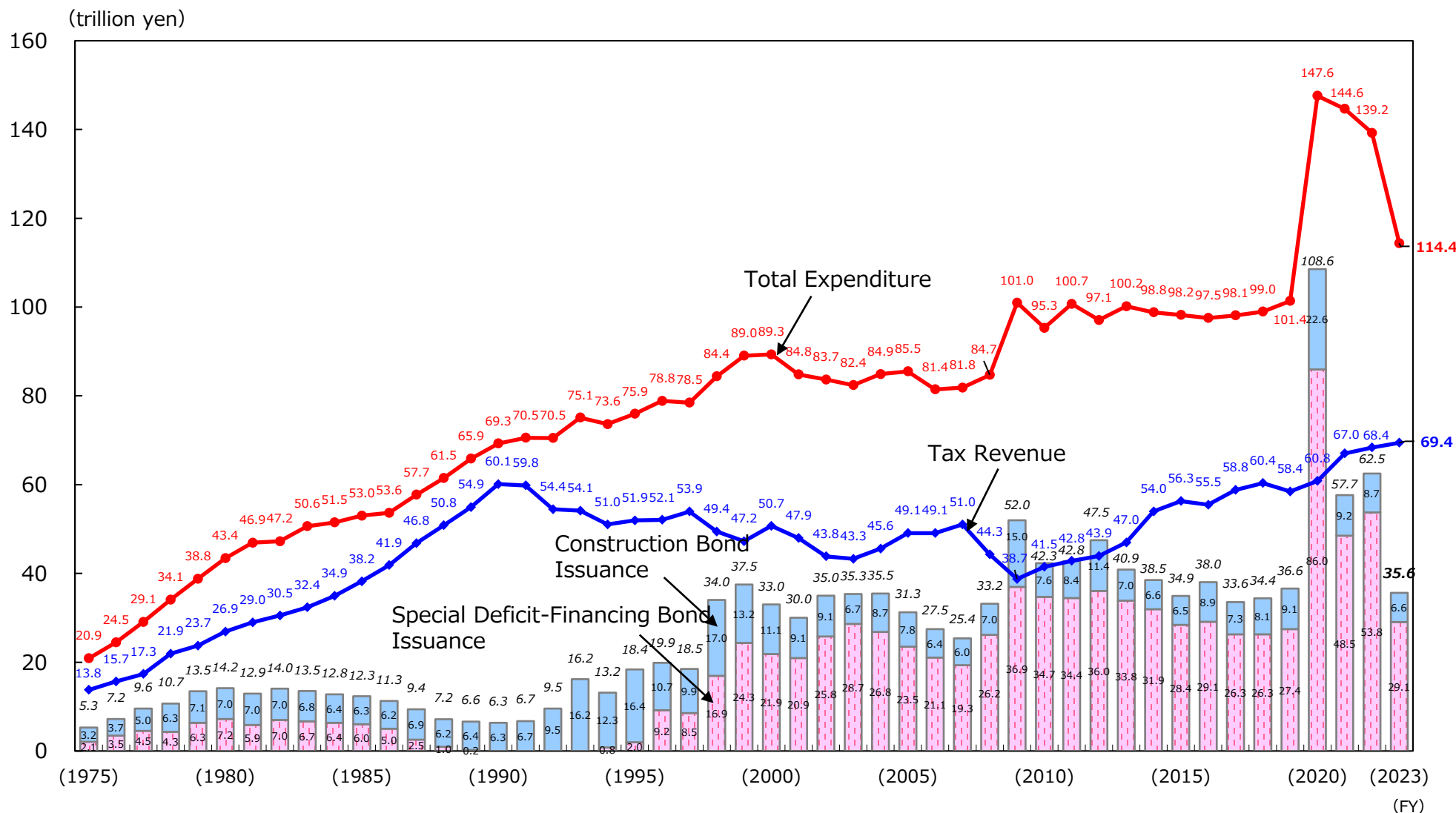


General Account Revenue

(unit : billion yen)



Trends in general account tax revenues, expenditures, and bond issuance

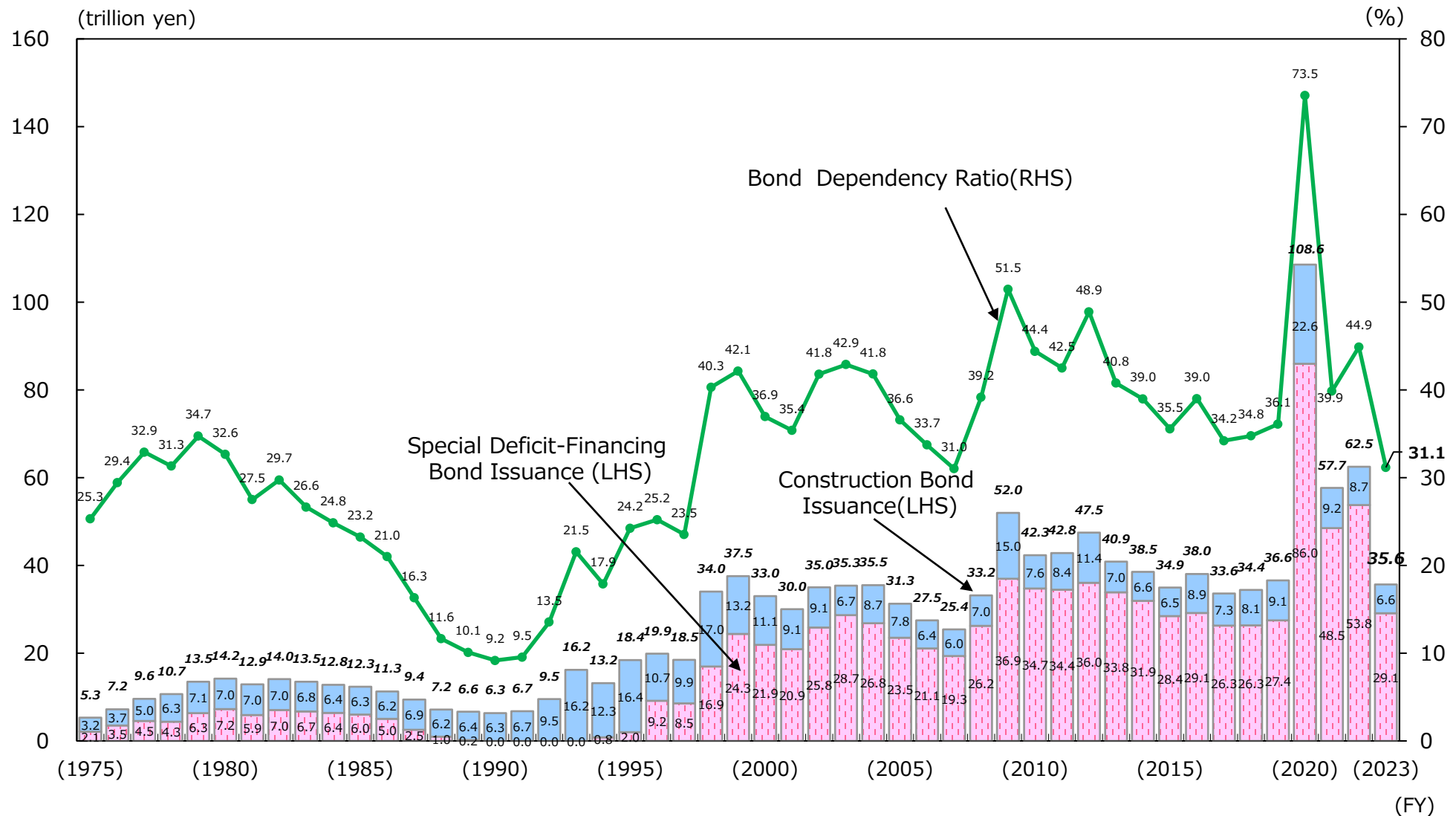


(Note1) FY1975 - FY2021 : settled figures; FY2022 : based on the second supplementary budget; FY2023: based on the draft budget

(Note2) Following bonds are excluded: Ad-hoc special deficit-financing bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region; Tax reduction-related special deficit-financing bonds issued in FY1994-96 to make up for a decline in tax revenue due to a series of income tax cuts preceding consumption tax rate hike from 3% to 5%; Reconstruction bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake, and; Pension-related special deficit-financing bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

(Note3) Total expenditure of FY2023 includes the carry-over (3.4 trillion yen) to Defense Buildup Funds (tentative name) which is the resource for the national defense expenditure for FY2024 and years after.

Bond issuance and bond dependency ratio

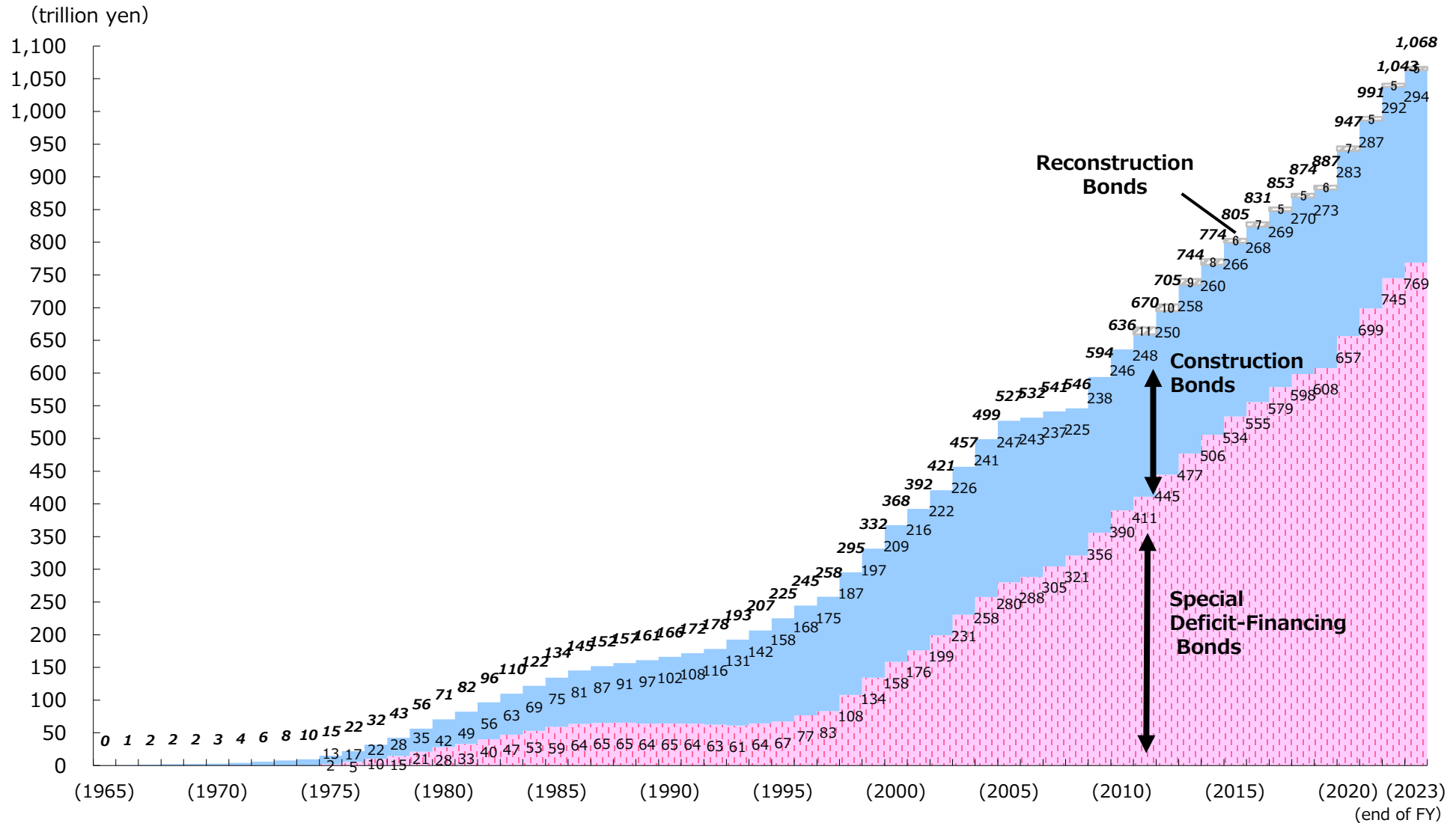


(Note1) FY1975 - FY2021 : settled figures; FY2022 : based on the second supplementary budget; FY2023: based on the draft budget

(Note2) Following bonds are excluded: Ad-hoc special deficit-financing bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region; Tax reduction-related special deficit-financing bonds issued in FY1994-96 to make up for a decline in tax revenue due to a series of income tax cuts preceding consumption tax rate hike from 3% to 5%; Reconstruction bonds issued in FY2011 as a source of funds to implement measures for the reconstruction from the Great East Japan Earthquake, and; Pension-related special deficit-financing bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

(Note3) Bond dependency ratio is calculated as the ratio of bond issuance to general account expenditures.

Accumulated government bond outstanding



(Note1) FY1975 - FY2021: settled figures; FY2022: based on the second supplementary budget, FY2023: based on the draft budget

(Note2) Government bond outstanding includes construction bonds, special deficit-financing bonds and reconstruction bonds. Special deficit-financing bond outstanding includes deficit-financing bonds issued in FY1965, refunding bonds for long-term debts transferred from JNR Settlement Corporation and the National Forest Service, etc., ad-hoc special deficit-financing bonds, tax reduction-related special deficit-financing bonds, pension-related special deficit-financing bonds and GX Economy Transition Bonds (tentative name).

(Note3) The estimated amount at the end of FY2023, excluding the issuance limit of advance refunding bonds for refinancing in the following fiscal year, is approximately 1,043 trillion yen.

Long-term debt outstanding of central and local governments

(unit : trillion yen)

	FY1998 < actual >	FY2003 < actual >	FY2008 < actual >	FY2013 < actual >	FY2018 < actual >	FY2019 < actual >	FY2020 < actual >	FY2021 < actual >	FY2022 <estimated>	FY2023 <draft budget>
Central Government	390 (387)	493 (484)	573 (568)	770 (747)	901 (850)	914 (870)	973 (964)	1,017 (1,002)	1,068 (1,048)	1,097 (1,072)
General Bond	295 (293)	457 (448)	546 (541)	744 (721)	874 (823)	887 (843)	947 (937)	991 (976)	1,043 (1023)	1,068 (1043)
% of GDP	55% (55%)	87% (85%)	106% (105%)	145% (141%)	157% (148%)	159% (151%)	176% (174%)	180% (177%)	186% (183%)	187% (182%)
Local Government	163	198	197	201	194	192	192	191	187	182
% of GDP	30%	38%	38%	39%	35%	35%	36%	35%	33%	32%
Total	553 (550)	692 (683)	770 (765)	972 (949)	1,095 (1,044)	1,106 (1,062)	1,165 (1,156)	1,208 (1,193)	1,255 (1,235)	1,279 (1,254)
% of GDP	103% (103%)	131% (130%)	149% (148%)	190% (185%)	197% (188%)	199% (191%)	217% (215%)	219% (217%)	224% (221%)	224% (219%)

(Note1) GDP for FY1998 - FY2021: Actual figures, FY2022 and FY2023: Based on "FY2023 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Approved by the Cabinet on December 22, 2022).

(Note2) Central government debt for FY1998 - FY2021: Actual figures, FY2022: Based on the second supplementary budget, FY2023: Based on the draft budget.

Local government debt for FY1998 - FY2021: Actual figures, FY2022 and FY2023: Based on local government debt plan, etc.

(Note3) Government bond outstanding includes reconstruction bonds as a source of funds to implement the measures for the reconstruction from the Great East Japan Earthquake and pension-related special deficit-financing bonds as a source of funds to achieve the targeted national contribution to one-half basic pension.

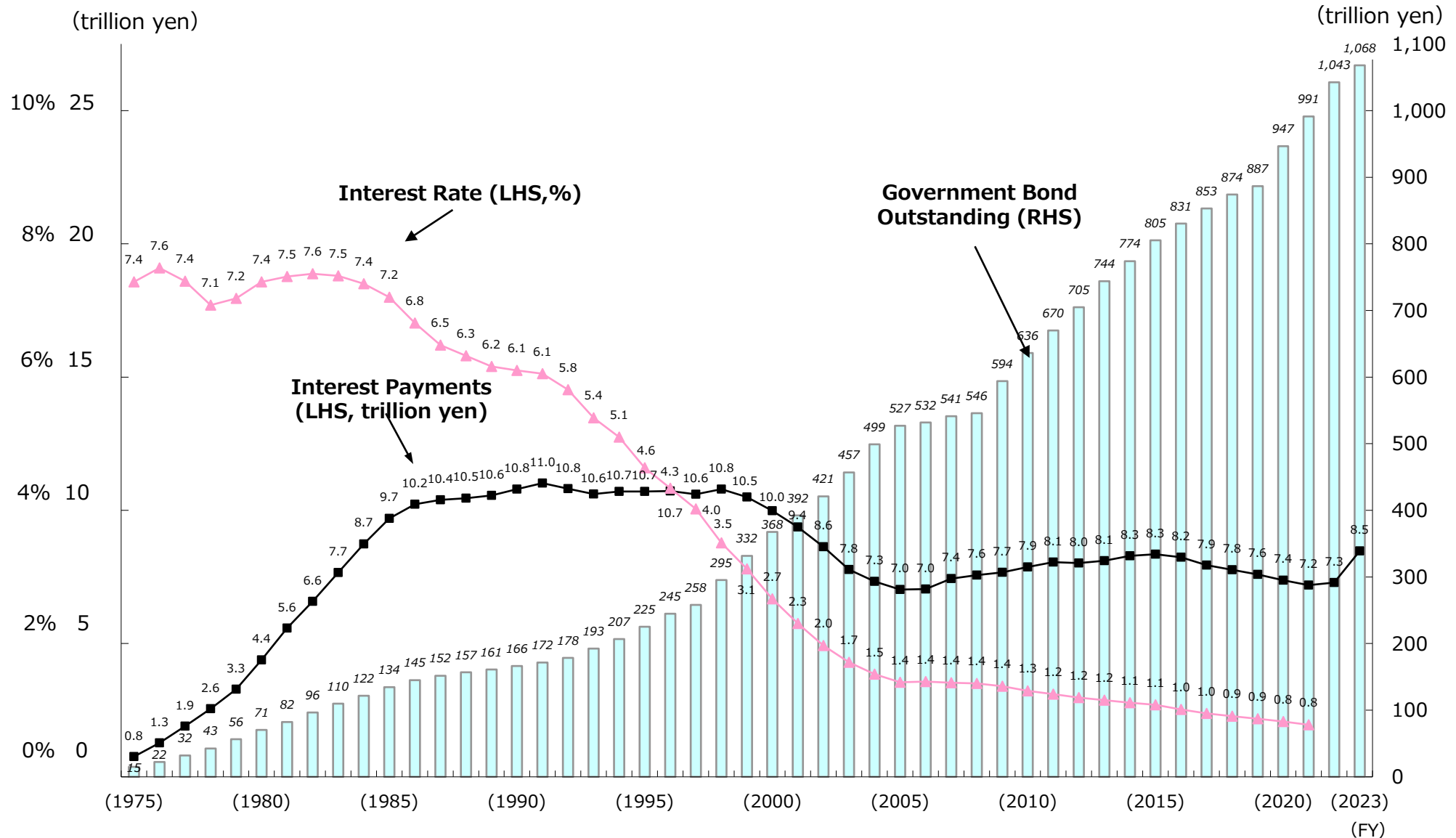
(Note4) FY1998 - FY2021: Figures in parentheses do not include the issuance amount of advance refunding bonds for refinancing in the following fiscal year.

FY2022 - FY2023: Figures in parentheses do not include the issuance limit of advance refunding bonds for refinancing in the following fiscal year.

(Note5) The borrowings in the special account for local allocation and local transfer tax are divided into each figure of the central government and local governments in accordance with their shares of redemption. The amount of the borrowing outstanding incurred by the central government was transferred to the general account at the beginning of FY2007, so that the borrowing outstanding in the special account since the end of FY2007 is equal to the debt of the local governments (approx. 28 trillion yen in FY2023).

(Note6) Government bond outstanding in the special account for fiscal investment and loan program in FY2023 is approximately 104 trillion yen.

Trends in interest payments and interest rate



(Note1) Interest payments for FY1975 - FY2021: settled figures; FY2022: based on the second supplementary budget; FY2023: based on the draft budget.

(Note2) Interest rate is a weighted average of JGBs' interest rates.

(Note3) Government bond outstanding for FY1975 - FY2021: settled figures, FY2022: based on the second supplementary budget, FY2023: based on the draft budget.

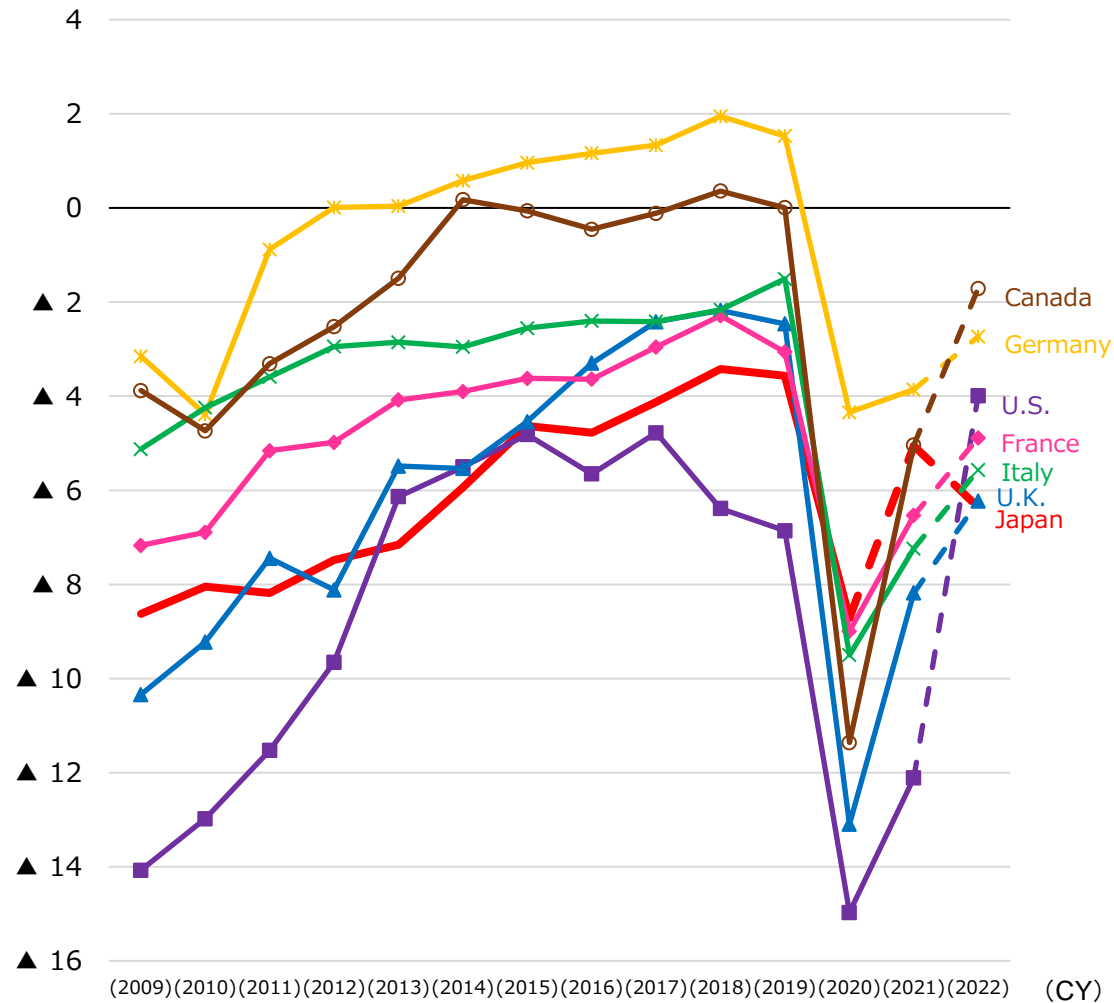
International comparison of general government fiscal balance (% of GDP)

(%)

CY	2009	2010	2011	2012	2013	2014	2015
Japan	▲ 8.6	▲ 8.0	▲ 8.2	▲ 7.5	▲ 7.2	▲ 5.9	▲ 4.6
U.S.	▲ 14.1	▲ 13.0	▲ 11.5	▲ 9.7	▲ 6.1	▲ 5.5	▲ 4.8
U.K.	▲ 10.3	▲ 9.2	▲ 7.4	▲ 8.1	▲ 5.5	▲ 5.5	▲ 4.5
Germany	▲ 3.2	▲ 4.4	▲ 0.9	0.0	0.0	0.6	1.0
France	▲ 7.2	▲ 6.9	▲ 5.2	▲ 5.0	▲ 4.1	▲ 3.9	▲ 3.6
Italy	▲ 5.1	▲ 4.2	▲ 3.6	▲ 2.9	▲ 2.9	▲ 3.0	▲ 2.6
Canada	▲ 3.9	▲ 4.7	▲ 3.3	▲ 2.5	▲ 1.5	0.2	▲ 0.1

CY	2016	2017	2018	2019	2020	2021	2022
Japan	▲ 4.8	▲ 4.1	▲ 3.4	▲ 3.6	▲ 8.7	▲ 5.1	▲ 6.4
U.S.	▲ 5.7	▲ 4.8	▲ 6.4	▲ 6.9	▲ 15.0	▲ 12.1	▲ 4.0
U.K.	▲ 3.3	▲ 2.4	▲ 2.2	▲ 2.5	▲ 13.1	▲ 8.2	▲ 6.2
Germany	1.2	1.3	1.9	1.5	▲ 4.3	▲ 3.9	▲ 2.7
France	▲ 3.6	▲ 3.0	▲ 2.3	▲ 3.1	▲ 9.0	▲ 6.5	▲ 4.9
Italy	▲ 2.4	▲ 2.4	▲ 2.2	▲ 1.5	▲ 9.5	▲ 7.2	▲ 5.6
Canada	▲ 0.5	▲ 0.1	0.4	0.0	▲ 11.4	▲ 5.0	▲ 1.7

(%)



(Source) OECD "Economic Outlook 112" (November 22, 2022)

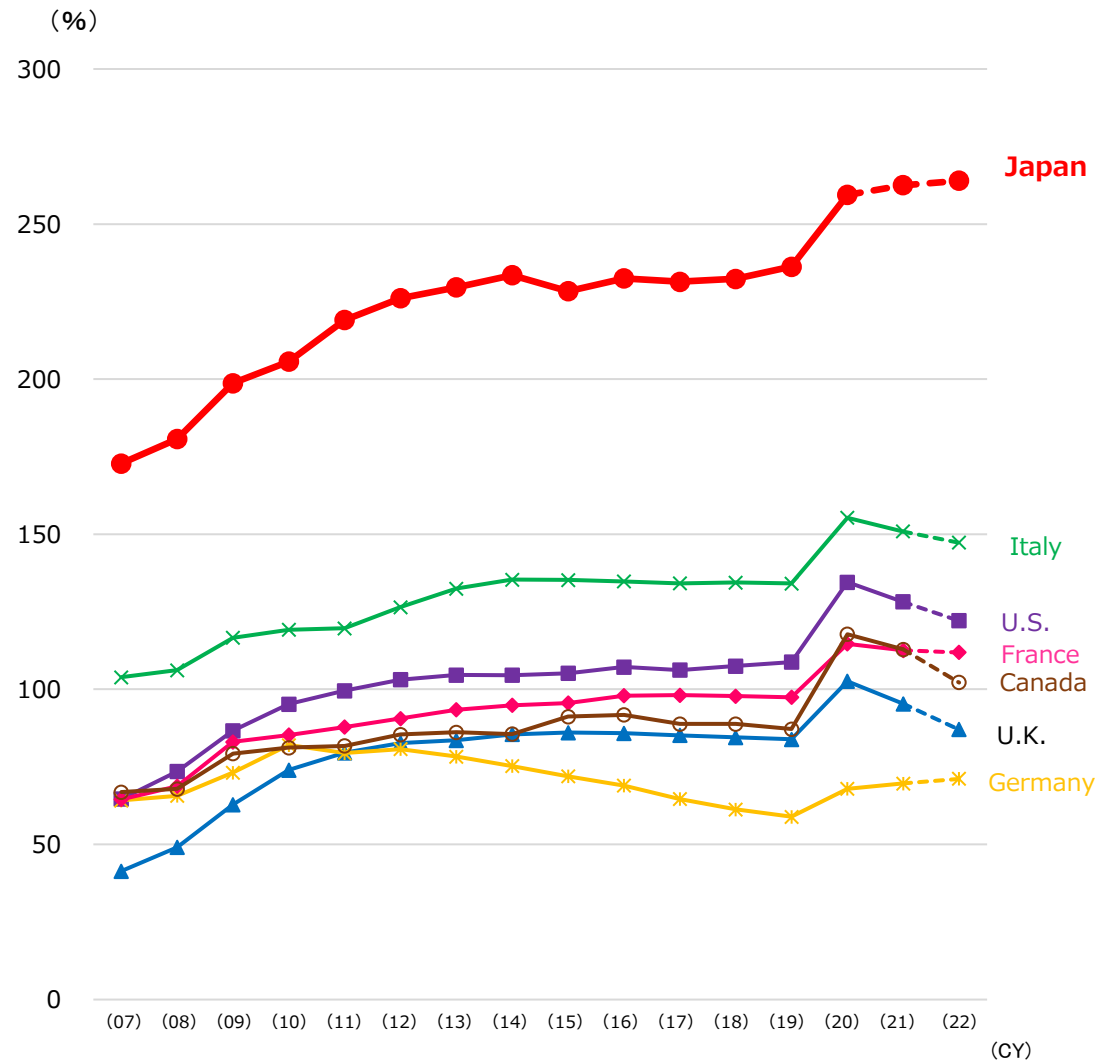
(Note 1) The figures represent the general-government-based data (the central/local governments and social security funds combined), except for Japan and the U.S., where the figures of the social security funds are excluded.

(Note 2) The 2021-2022 figures for Japan and the 2022 figures for other countries are estimated figures.

International comparison of general government gross debt (% of GDP)

	(%)							
CY	2007	2008	2009	2010	2011	2012	2013	2014
Japan	172.8	180.7	198.7	205.7	219.1	226.1	229.6	233.5
U.S.	64.6	73.5	86.7	95.2	99.5	103.1	104.6	104.6
U.K.	41.4	49.0	62.8	74.0	79.5	82.7	83.6	85.5
Germany	64.2	65.7	73.2	82.0	79.4	80.7	78.3	75.3
France	64.5	68.8	83.0	85.3	87.8	90.6	93.4	94.9
Italy	103.9	106.2	116.6	119.2	119.7	126.5	132.5	135.4
Canada	66.9	67.9	79.3	81.2	81.8	85.4	86.1	85.6

CY	2015	2016	2017	2018	2019	2020	2021	2022
Japan	228.4	232.5	231.4	232.3	236.3	259.4	262.5	263.9
U.S.	105.2	107.2	106.2	107.5	108.8	134.5	128.1	122.1
U.K.	86.0	85.8	85.1	84.5	83.9	102.6	95.3	87.0
Germany	71.9	69.0	64.6	61.3	58.9	68.0	69.6	71.1
France	95.6	98.0	98.1	97.8	97.4	114.7	112.6	111.8
Italy	135.3	134.8	134.2	134.4	134.1	155.3	150.9	147.2
Canada	91.2	91.8	88.9	88.9	87.2	117.8	112.9	102.2



(Source) IMF "World Economic Outlook" (October 2022).

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined).

(Note2) 2021-2022 figures for Japan and 2022 figures for other countries are estimated figures.

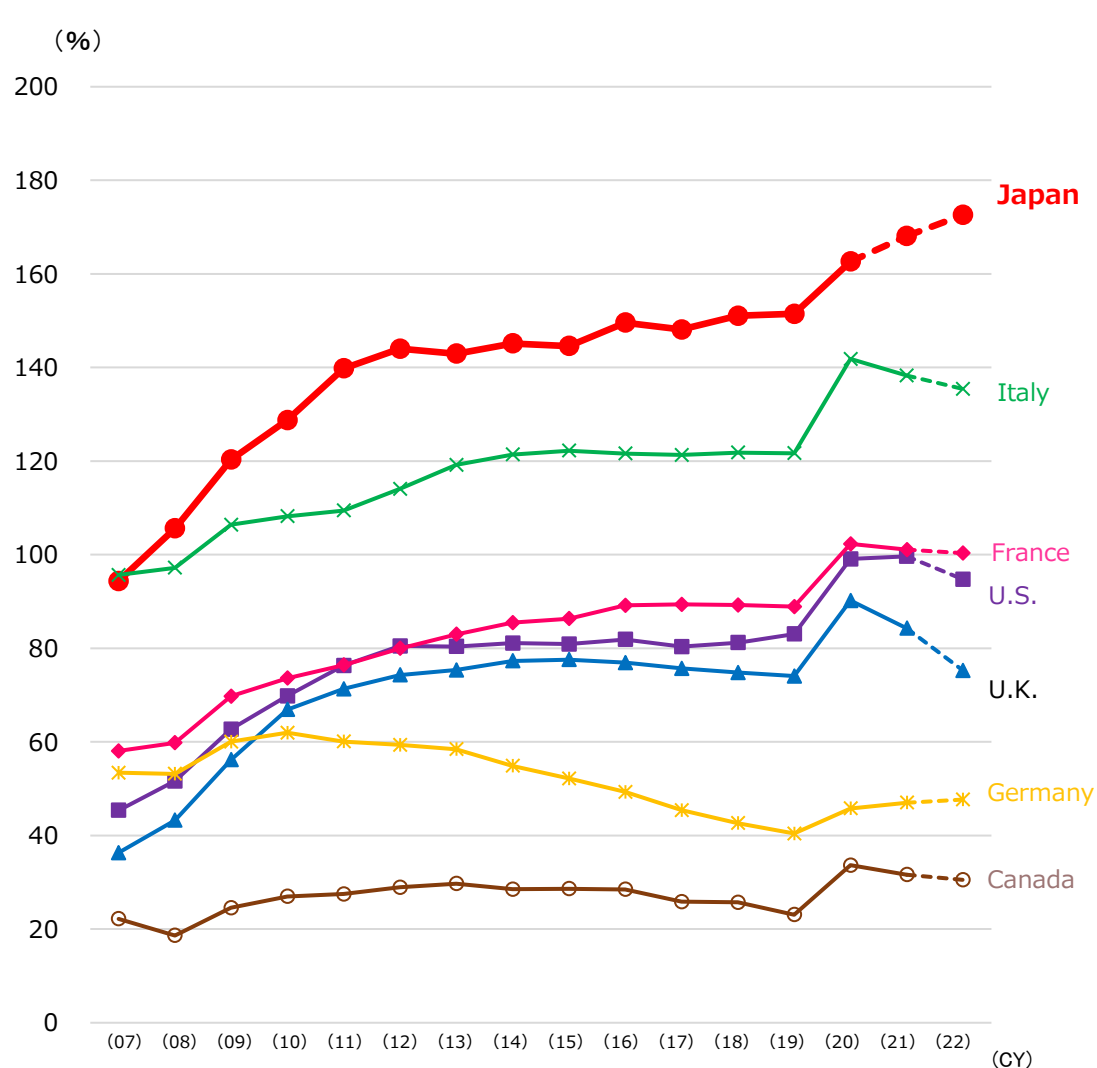
(Note3) Gross debt for 2023 is estimated as follows; Japan: 261.1%, U.S.: 122.9%, U.K.: 79.9%, Germany: 68.3%, France: 112.5%, Italy: 147.1%, and Canada: 98.7%.

However, it should be noted that the Japan's figure does not reflect the expected increase in outstanding gross debt as a result of the second supplementary budget for FY2022 and the draft budget for FY2023.

International comparison of general government net debt (% of GDP)

	CY								(%)
	2007	2008	2009	2010	2011	2012	2013	2014	
Japan	94.4	105.6	120.3	128.8	139.8	144.0	142.9	145.1	
U.S.	45.4	51.6	62.7	69.8	76.3	80.5	80.4	81.1	
U.K.	36.3	43.2	56.2	66.9	71.3	74.3	75.4	77.3	
Germany	53.4	53.2	60.0	62.0	60.1	59.4	58.4	54.9	
France	58.0	59.8	69.8	73.6	76.4	80.0	83.0	85.5	
Italy	95.7	97.2	106.4	108.2	109.5	114.1	119.2	121.4	
Canada	22.2	18.6	24.5	27.0	27.5	28.9	29.7	28.5	

	CY								
	2015	2016	2017	2018	2019	2020	2021	2022	
Japan	144.6	149.6	148.1	151.0	151.5	162.6	168.1	172.6	
U.S.	80.9	81.9	80.3	81.2	83.0	99.1	99.6	94.7	
U.K.	77.6	76.9	75.7	74.8	74.1	90.2	84.3	75.3	
Germany	52.2	49.3	45.4	42.6	40.4	45.8	47.0	47.7	
France	86.3	89.2	89.4	89.2	88.9	102.3	101.1	100.3	
Italy	122.2	121.6	121.3	121.8	121.7	141.8	138.3	135.4	
Canada	28.6	28.5	25.8	25.7	23.1	33.6	31.6	30.5	



(Source) IMF "World Economic Outlook" (October 2022).

(Note1) Figures represent the general government-based data (the central/local governments and social security funds combined).

(Note2) 2021-2022 figures for Japan and 2022 figures for other countries are estimated figures. Net debt for 2023 is estimated as follows; Japan: 172.4%, U.S.: 96.9%, U.K.: 68.5%, Germany: 47.8%, France: 101.0%, Italy: 135.6%, and Canada: 30.3%. However, it should be noted that the Japan's figure does not reflect the expected increase in outstanding net debt as a result of the second supplementary budget for FY2022 and the draft budget for FY2023.

(Note3) Net debt is calculated as a gross debt minus financial assets corresponding to debt instruments such as currency and deposits, and debt securities.