

Highlights of the FY2024 Draft Budget

Overview of the FY2024 Budget Framework

(unit : billion yen)

Expenditure	FY2023 budget (initial)	FY2024 budget	Amount of change
General Expenditure	72,731.7	67,776.4	-4,955.4
Social Security Expenditure	36,868.7	37,719.3	850.6
Non-Social Security Expenditure (Note3, 4)	30,863.0	29,057.1	-1,806.0
Contingency Fund for the Measures to Address Soaring Crude Oil and Commodity Prices and to Set up the Environment for Promoting Wage Increases (Note5)	5,000.0	1,000.0	-4,000.0
Local Allocation Tax Grants, etc.	16,399.2	17,786.3	1,387.1
National Debt Service	25,250.3	27,009.0	1,758.7
Total	114,381.2	112,571.7	-1,809.5

Revenue	FY2023 budget (initial)	FY2024 budget	Amount of change
Tax Revenue	69,440.0	69,608.0	168.0
Other Revenue	9,318.2	7,514.7	-1,803.5
Government Bonds Issuance	35,623.0	35,449.0	-174.0
Construction Bonds	6,558.0	6,579.0	21.0
Special Deficit-Financing Bonds	29,065.0	28,870.0	-195.0
Total	114,381.2	112,571.7	-1,809.5

(Note1) The FY2023 budget is reclassified for a comparison with the FY2024 budget.

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

(Note3) FY2023 initial budget includes the Carry-Over to Defense Build-Up Fund: 3,380.6bn yen.

(Note4) The General Contingency reserves in the FY2024 budget is increased by 500bn yen from the FY2023 Budget to 1,000bn yen to enable a seamless and flexible initiative depending on the recovery and reconstruction phase, etc. of the 2024 Noto Peninsula earthquake.

(Note5) The figure of "Contingency Fund for the Measures to Address Soaring Crude Oil and Commodity Prices and to Set up the Environment for Promoting Wage Increases" for FY2023 initial budget is sum of "Contingency Fund for the COVID-19 and Measures to Address Soaring Crude Oil and Commodity Prices" and "Contingency Fund for Economic Emergency (including the impact from the Ukraine Crisis)".

(Note6) "Tax Revenue" includes stamp revenue.

(Note7) Bond Dependency Ratio for FY2024 Budget is 31.5%.

Highlights of the FY 2024 Budget

Budget to tackle challenges that reflect the changing times and cannot be shelved and to catch up with changes amidst a historical turning point

Economy (Realizing wage increases to trigger a virtuous economic cycle)

- **“Wage increases that overcome price hikes”** should be realized to lead the brightest economic signs in three decades to bring about a virtuous economic cycle. To demonstrate the attitude of leading wage increases in the healthcare and welfare area, fees for medical care, long-term care, and welfare services for persons with disabilities, etc. will be revised to realize a pay-scale increase of 2.5% (For medical workers, it is 4.0% including an annual pay hike) in FY2024 and a pay-scale increase of 2.0% (For medical workers, it is 3.5% including an annual pay) in FY2025 to improve the treatment of a wide range of frontline workers in the area. A mechanism to structurally improve the treatment of frontline workers will be developed through the revision of official prices and the expansion of the treatment improvement system, in addition to the enhancement of the wage increase promotion tax system (other relevant measures are on the next page).

Society (Responding to structural changes and social challenges)

【Children policy, etc.】

- Under the recognition that the declining birthrate represents Japan's biggest crisis, the government will implement the **“acceleration plan”** under the **Children’s Future Strategy** with a sense of urgency. The government will tackle relevant **economic support enhancement**, such as **the drastic expansion of child allowances and the reduction of advanced education costs**, as well as **the qualitative improvement of child education and care**, and expand initiatives to respond to various needs, including **the prevention of child poverty and abuse and support for children with disabilities**. Financial resources will be expanded for childcare leave benefits, which are expected to increase in the future. (Of 3.6 trillion yen for the “acceleration plan,” about three quarters are assumed to be disbursed by FY2025. Based on that assumption, more than 30% of the total is budgeted for FY2024.) In efforts to secure financial resources, the government will realize the well-balanced revision of medical care fees and drug prices and long-term care insurance reform.

【Digital and green transformation】

- In order to utilize digitalization for regional revitalization and the improvement of public service efficiency, etc., the government will provide **subsidies for the promotion of the Vision for a Digital Garden City Nation** (100 billion yen plus 73.5 billion yen in the FY2023 supplementary budget) to support model initiatives for **the digital administrative and fiscal reform and the promotion of tourism, agriculture, forestry, and fisheries industries, etc.**
- Towards carbon neutrality in 2050, government and private **green transformation (GX) investment** will be promoted (1.7 trillion yen from the Special Account for Energy Measures and the FY2023 supplementary budget).

Diplomacy and Security

- In response to not only **the severe security environment** surrounding Japan but also **the fast-changing diplomatic environment** as indicated by Russia's aggression against Ukraine and the Middle East situation, etc., the government will significantly strengthen the foundation of national security, **the protection of Japanese civils, and crisis management** in the diplomacy area (307.3 billion yen, +29.8 billion from the previous fiscal year) and steadily build up defense power, including Integrated Air and **Missile Defense and mobile deployment capabilities** (+1.1 trillion yen from the previous fiscal year).

Responding to the 2024 Noto Peninsula earthquake

- The General Contingency reserves in the FY2024 budget is increased by 500 billion yen (a total of 1 trillion yen is allocated as the General Contingency reserves) to protect lives of those affected by the Noto Peninsula earthquake on 1 January 2024 and to enable a seamless initiative towards the recovery and reconstruction of the affected areas, including the rebuilding of lives and livelihoods.

Improving spending efficiency

- Based on the **Basic Policy on Economic and Fiscal Management and Reform**, the government will **reduce new government bond issuance while sustaining expenditure reform initiatives and normalizing expenditures structurally.**

(35.6 trillion in FY2023 (initial) ⇒ 35.4 trillion yen in FY2024)

(*Out of expenditures subject to the reform, social security expenditures will increase by 370 billion yen and non-social security expenditures by 160 billion yen.)

Measures for budget to realize “wage increases that overcome price hikes”

Public sector, etc.

[Healthcare, long-term care, welfare services for persons with disabilities]

- To demonstrate the attitude of leading wage increases in the healthcare and welfare area, fees for medical care, long-term care, and welfare services for persons with disabilities, etc. will be revised to realize a pay-scale increase of 2.5% (For medical workers, it is 4.0% including an annual pay hike) in FY2024 and a pay-scale increase of 2.0% (For medical workers, it is 3.5% including an annual pay) in FY2025 to improve the treatment of a wide range of frontline workers in the area. A mechanism to structurally improve the treatment of frontline workers will be developed through the revision of official prices and the expansion of the treatment improvement system, in addition to the enhancement of the wage increase promotion tax system (Cited again)

[Nursery Teachers, etc.]

- To further improve the treatment of nursery teachers, etc. in light of private sector wage trends based on the “acceleration plan,” official prices will be raised as recommended by the National Personnel Authority (personnel cost hike at 5.2%)

[Teachers]

- Compulsory education disbursements from national treasury will be increased significantly (by 41.2 billion yen from the previous year to 1,562.7 billion yen) to raise wages for teachers at public elementary and junior high schools, etc. (a 5.9% initial wage hike, etc.) as recommended by the National Personnel Authority.

[Public Works project]

- Labor unit price for design works in Public Works Project has been raised for the 11th straight year of increase, raised by 5.2% in FY2023 and is planned to be revised upward February 2024 for FY2024 to reflect actual wage trends. Legislation is planned to be submitted to the National Diet during its next ordinary session to secure appropriate labor cost payments to subcontractors for public and private sector projects.

[Logistics]

- The government plans to raise the statutory “standard fare” by 8% towards a wage increase for truck drivers and enhance surveillance of shippers and contractors by government investigators for trucking in order to spread the fare hike. Furthermore, legislation is planned to be submitted to the National Diet during its next ordinary session to secure financial resources for wage hikes and improve logistic productivity.

Small and medium enterprises, etc.

- To appropriately pass cost hikes on to product prices, the number of subcontractor government investigators will be increased to 330 to enhance investigations into transactions and relevant instructions (2.8 billion yen in FY2024). To allow SMEs, etc. to secure profits and raise wages even amid labor shortages, a 500 billion yen labor-saving investment support program (using FY2023 supplementary budget and existing funds) will be implemented.
- Towards minimum wage increases at small, medium, and micro enterprises, a business improvement cost support program, etc. (800 million yen in FY2024 budget and 18 billion yen in FY2023 supplementary budget) will be implemented for business operators who conduct capital investment in productivity improvement to increase minimum wages in their workplaces .

Others

- In conjunction with the fixed-amount tax cut that will be implemented to achieve a synergistic effect along with wage increases to achieve faster disposable income growth than price hikes, the government will provide 0.7 trillion yen in benefits to those who fail to fully benefit from the fixed-amount tax cut (1.1 trillion yen including related benefits, a contingency fund for FY2023).
- The “Contingency Fund for Measures to Address Soaring Prices and Promote Wage Increases,” the use of which was clarified and focused to realize the “virtuous cycle of price and wage increases” in FY2023 supplementary budget, will be implemented in FY2024 as well at the size of 1 trillion yen.

Budgetary responses for supporting those affected by the 2024 Noto Peninsula earthquake and the recovery and reconstructions of the affected areas

- The government will take all possible fiscal measures to **protect lives of those affected by the Noto Peninsula earthquake** on 1 January 2024 and to enable a **seamless initiative** towards the **recovery and reconstruction of the affected areas**, including **the rebuilding of lives and livelihoods**.

Urgent responses by using contingency reserves for FY2023

- First, as urgent responses to the current situation, the government will formulate **“the package to support the lives and livelihoods of the affected people”** as soon as possible to respond to various needs in affected areas such as **securing temporary housing, recovery of lifelines and infrastructures and rebuilding lives and livelihoods of those affected**.
- Necessary expenditures for these various supports will be **addressed flexibly**, utilizing **the General Contingency reserves whose balance is more than 460 billion yen**.

Taking all necessary precautions for the recovery and reconstruction in FY2024 budget

- **The General Contingency reserves in the FY2024 budget is increased by 500 billion yen to 1 trillion yen in total** to secure a **seamless and flexible initiative** in FY2024 also depending on **the recovery and reconstruction phase, etc.** and prepare for other unpredictable situations.
- The government will do its best to support towards **the recovery and reconstruction of affected areas as soon as possible** by the increase above and **more than 460 billion yen balance of the General Contingency reserves for FY2023**.

(*) Prior to the above measures, push-type material aid that is immediately necessary to strengthen shelter system including measures against cold weather was decided to be financed by 4.7 billion yen from the General Contingency reserves for FY2023. (Cabinet decided on 9 January 2024)

Characteristics of Each Expenditure (1)

Social Security

- The government will implement policies based on **the Children's Future Strategy** with a sense of urgency. The budget for the Children and Families Agency will increase by 0.5 trillion yen from the previous year to **5.3 trillion yen** (4.8 trillion yen in FY2023, 4.7 trillion yen in 2022). The government will tackle **the drastic expansion of child allowances** (the first expanded payments scheduled for December 2024), **the reduction of higher education costs, the qualitative improvement of child education and care** (improvement of standards for the distribution of relevant facilities and the treatment of relevant workers, etc.), and initiatives to respond to **various needs**, including the prevention of child poverty and abuse and support for children with disabilities and those needing constant medical care. Expecting **childcare leave benefits to increase** by 93.1 billion yen due to an increase in male workers taking childcare leave, the government **will raise its share** of the employee insurance premium rate (financial resources for childcare leave benefits) **to one-eighth** (from one-80th at present).
- In **revising fees for medical care, long-term care, and welfare services for persons with disabilities**, the government will **reform official prices to develop a mechanism to structurally improve the treatment of frontline workers. The revision will be implemented in a well-balanced manner**, including the realignment of management, prescription, and other fees to make them effective and reasonable mainly for clinics. With regard to **drug prices**, the government will reform insurance benefits for long-listed products and implement appropriate evaluation measures for innovation. The government will also recalculate prices of unprofitable products to ensure **a stable supply of generic drugs, etc.**

Diplomacy and Security

- In light of the severe international situation, the government will **enhance national security responses and arrangements for the protection and security of Japanese civils** (by increasing relevant expenditure by 29.8 billion yen from the previous year). **More than 1 trillion yen** (including 270.1 billion yen in FY2023 supplementary budget) will be set aside for official development assistance, with priority given to effective projects using private sector money.
- As the national security environment grows severe, the government will promote the **drastic enhancement of defense power** (+1.1 trillion yen) by **improving stand-off defense, Integrated Air and Missile Defense, and mobile deployment capabilities** and stepping up the maintenance of defense equipment, the acquisition of ammunition, and the development of facilities.

Police Facilities and Coast Guard

- The government will strengthen capabilities to deal with serious **cyberspace threats**, such as the record number of cybercrime cases, as well as **terrorism and large-scale disasters, etc.**
- The budget and number of personnel for the Japan Coast Guard will be expanded substantially (by 18 billion yen from the previous year to 261.1 billion yen) to develop **large patrol ships, etc.** for enhancing **security operations for the territorial waters around the Senkaku Islands.**

Education and Science

- The qualitative improvement of education and the workstyle reform for teachers will be accelerated through the assignment of **teacher work support staff** to all elementary and junior high schools and the advanced introduction of **subject-based teacher assignments** for the upper grades of elementary school.
- Investment in science, technology, and innovation will include the promotion of research and development in **artificial intelligence, quantum**, and other important fields and the expansion of support for **basic research and young researchers** (1,409.2 billion yen for science and technology promotion, +15 billion yen from the previous year)

Characteristics of Each Expenditure (2)

GX, Energy and Environment

- The government will issue "GX Economy Transition Bonds" under the Energy Policy Special Account to support public and private sector GX investment, including 230 billion yen for enhancing domestic **storage battery** production infrastructure, 54.8 billion yen for developing supply chains for **next-generation solar batteries**, etc. and 32.7 billion yen for **steel, chemical, and other manufacturers'** transition to new processes.

DX and Regional Revitalization

- Subsidies for the promotion of the Vision for a Digital Garden City Nation (100 billion yen plus 73.5 billion yen in FY2023 supplementary budget) will support **regional revitalization** initiatives, such as the promotion of tourism, agriculture, forestry, and fisheries industries. In addition, 6.8 billion yen will be used for developing **regional digital infrastructure**, such as fiber-optic networks and 5G base stations.

Reconstruction

- The government will respond in a fine-tuned manner to the needs of disaster-affected areas in line with progress in reconstruction, such as **measures against groundless rumors** and the dissemination of information based on scientific evidence related to the disposal of **ALPS treated water**, and initiatives for **people's relocations to and from the nuclear disaster-affected areas**.

Tourism

- In order to achieve the target of 5 trillion yen in foreign tourists' consumption in Japan, the government will utilize the international tourist tax (44 billion yen, +24 billion yen from the previous year) to promote **experience-based activities in national parks**, and to utilize **cultural buildings attracting tourists and increase the added value of accommodation**.

Public Works Project

- **Public works project-related expenses will be stably secured** at 6,082.8 billion yen (+2.6 billion yen from the previous year) (2,200.9 billion yen in FY2023 supplementary budget, +199.6 billion yen from the previous year). Hardware development will be **combined with software** such as forecasting linear precipitation belts using new technologies, to **promote national resilience**.
- In the wake of the transfer of the water supply program to the Ministry of Land, Infrastructure, Transport and Tourism, a new subsidy will be established to support **the efficient implementation of projects, etc. through the integration of water supply and sewerage services**.

Agriculture, Forestry and Fisheries

- While stepping up the production of dry-field crops, such as vegetables, wheat, and soybeans, by **supporting the conversion of paddy fields into upland fields**, the government will promote **the reduction of imported chemical fertilizer consumption** and **the expansion of domestic feed production** (28.7 billion yen).
- The government will promote the **development of sales channels, the establishment of overseas commercial channels**, and the standardization of packaging materials by product-based groups **to diversify export destination countries** (10.2 billion yen).

Local Governments Finance

- The amount of local allocation tax grants for local governments is **18.7 trillion yen (+0.3 trillion yen)**. **The total amount of general revenue will be increased** by 0.6 trillion yen, with the issuance of **extraordinary financial measures bonds** being halved to a **record low** of 0.5 trillion yen (down 0.5 trillion yen), to consolidate **local governments finance**.

The FY2024 Budget: Major Expenditure Items

(unit : billion yen)

	FY2023 budget (initial)	FY2024 budget	Amount of change	Ratio of change	Notes
General Expenditure	72,731.7	67,776.4	-4,955.4	-6.8%	
Social Security	36,868.7	37,719.3	850.6	2.3%	
Education and Science	5,415.8	5,471.6	55.8	1.0%	Increase in National Treasury expenses for compulsory education reflecting the recommendation of the National Personnel Authority, etc.
of which Science	1,394.2	1,409.2	15.0	1.1%	
Former Public Officers Pension	97.0	77.1	-19.8	-20.5%	
National Defense	10,168.6	7,917.2	-2,251.4	-22.1%	
excluding *	6,788.0	7,917.2	1,129.2	16.6%	
*The Carry-Over to Defense Build-Up Funds	3,380.6	-	-3,380.6	-	
Public Works Projects	6,080.1	6,082.8	2.6	0.0%	
Economic Assistance	511.4	504.1	-7.3	-1.4%	Focusing on effective projects, utilizing funds from private sector and emergency humanitarian aids ,etc. Securing enough amounts of resources along with 328.4 billion yen of ODA included in FY2023 supplementary budget.
cf) Official Development Assistance	570.9	565.0	-6.0	-1.0%	
Measures for SMEs	170.4	169.3	-1.1	-0.6%	Decrease in budget related to credit guarantee program based on lending trends, etc.
Energy	854.0	832.9	-21.0	-2.5%	Decrease in transfer to Energy Policy Special Account in light of the increase in surplus in the Special Account, etc.
Food Supply	1,265.4	1,261.8	-3.6	-0.3%	Decrease accompanied by reviewing rice policy.
Miscellaneous	5,800.4	5,740.2	-60.2	-1.0%	
Contingency reserves	500.0	1,000.0	500.0	100.0%	Increased to enable a seamless and flexible initiative depending on the recovery and reconstruction phase, etc. of the 2024 Noto Peninsula earthquake
Contingency Fund for the Measures to Address Soaring Crude Oil and Commodity Prices and to Set up the Environment for Promoting Wage	4,000.0	1,000.0	-3,000.0	-75.0%	
Contingency Fund for Economic Emergency (including the impact from the Ukraine Crisis)	1,000.0	-	-1,000.0	-	
Local Allocation Tax Grants, etc.	16,399.2	17,786.3	1,387.1	8.5%	
National Debt Service	25,250.3	27,009.0	1,758.7	7.0%	
Total	114,381.2	112,571.7	-1,809.5	-1.6%	

(Note1) FY2023 budget is reclassified for a comparison with the FY2024 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.

Social Security

○ The budget in FY2024 related to social security is 37.7 trillion yen (+approx. 850 billion yen from previous year (36.9 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. 370 billion yen besides of the pension slide approx. 350 billion yen).

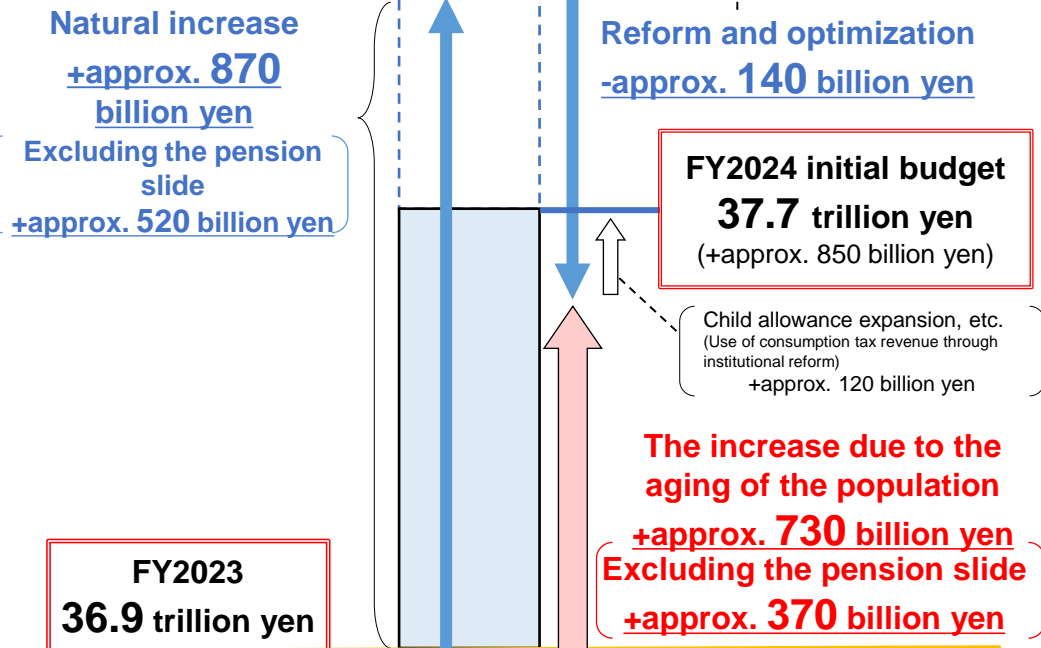
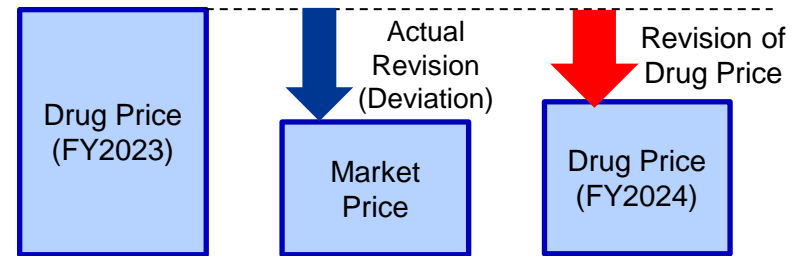
Revision of drug prices, etc. and drug price system reform:	-approx. 130 billion yen
Young-old payments adjustment by disbursement per capita:	-approx. 130 billion yen
Expansion of employee health insurance coverage:	-approx. 10 billion yen
Fee revision for medical care:	+approx. 60 billion yen (approx. 80 billion yen*)
Fee revision for long-term care:	+approx. 20 billion yen (approx. 40 billion yen*)
Fee revision for welfare services for persons with disabilities, etc.:	+approx. 20 billion yen
Support for health insurance society	+approx. 20 billion yen (approx. 40 billion yen*), etc.

*Including consumption tax revenue

(FY2024 Drug price revision and drug price system reform)

Drug and materials price revision rate -1.00%

○ The government will reflect market prices, implement appropriate evaluation measures for innovation, ensure a stable supply of generic drugs, etc. , and reform insurance benefits for long-listed products.



(FY2024 fee revision for medical care)

Revision rate +0.88%

Of which wage increase for medical-related professionals incl. nurses and rehabilitation professionals, etc.

+0.61%

*Wage hikes for those other than the above (+approx. 0.28%) are separated.

Of which streamlining/optimization (realignment of management, prescription, and other fees, etc.)

-0.25%

(FY2024 fee revision for long-term care)

Revision rate +1.59%

Of which wage increase for long-term care workers +0.98%

*Wage hikes for other workers such as clerical workers is separated.

(FY2024 fee revision for welfare services for persons with disabilities)

Revision rate +1.12%

Basic framework of financial resources for strengthening education and child-rearing policies (acceleration plan) (Rough Outline)

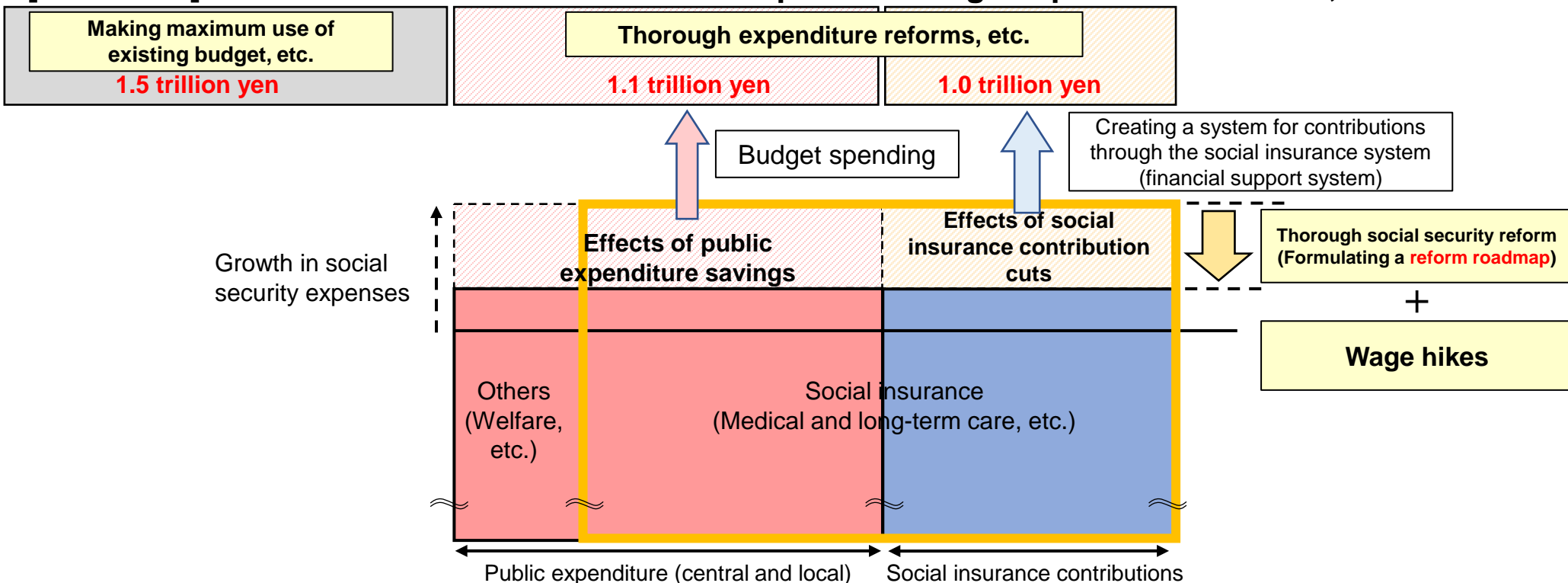
Reference in the 9th meeting of the Children's Future Strategy Council (Dec 22nd 2023)
(By the secretariat of Headquarters for Social Security System Oriented to All Generations)

- While making the maximum use of existing budget, the government will carry out thorough expenditure reforms by FY2028 and utilize the effects of public expenditure savings and social insurance contribution cuts through the reforms.
- Expenditure reforms and wage increases are designed to bring about substantial social insurance contribution cuts and within that range the government will develop a financial support system without any substantial contribution hike.

[Expenditures] As of acceleration plan completion: 3.6 trillion yen

Enhancing financial support 1.7 trillion yen	Enhancing support for all children and child-rearing households 1.3 trillion yen	Promoting co-working and co-parenting 0.6 trillion yen
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[Revenues] Financial resources for acceleration plan: thorough expenditure reforms, etc.



Enhancing children and child-rearing policies

- The "**Children's Future Strategy**" provides a **framework for enhanced measures worth "3.6 trillion yen** (central and local government combined)" and securing stable financial resources up to FY2028
 - ✓ In FY2024, the government will **implement more than 30%** of the planned funding totaling "3.6 trillion yen." (By FY2025, the government will **implement approx. three quarters** of the total due to the enforcement and annualization of relevant measures.)
 - ✓ The government will secure financial resources by **expenditure reforms** and **making maximum use of existing budget**. (Child Special Bond will be issued under a **special account** to cover a revenue shortage of approx. 0.2 trillion yen in FY2024.)
- **Steady increase in a national budget related to children and child-rearing** (general and special accounts)
 - ✓ **Children and Families Agency budget: 4.7 trillion yen in FY2022 → 4.8 trillion yen in FY2023 → 5.3 trillion yen in FY2024**
 *Children and Families Agency FY2024 budget: 5.2832 trillion yen (+472.8 billion yen, of which general account +176.6 billion yen)
 - ✓ A combination of the Children and Families Agency budget and childcare leave benefits will **rise by 0.7 trillion yen or 15%** from FY2022 to FY2024.

Expansion of child allowance

First expanded allowance payments start in December 2024.

- ✓ **Removing income caps** 1,524.6 billion yen
- ✓ **Expanding coverage to cover senior high school students** (including 355.8 billion yen for the coverage expansion)
- ✓ **30,000 yen for the third or later child**

Allowance amount	Aged 0 to 3	Aged 3 to senior high school ages
First or second child	15,000 yen/month	10,000 yen/month
Third or later child	30,000 yen/month	

*Revising the counting method for multi-child households

Higher education (universities, etc.)

- ✓ **Enhancing the reduction of higher education's burden** 543.8 billion yen (+ 12.7 billion yen)
 - Expanding support coverage to include middle-class households with multiple children or students in science, engineering, and agriculture (household income of up to about 6 million yen)
 - *From FY2025, tuition and admission fees will be waived for students from multi-child households. (Multi-child households are those with three or more dependent children. The support limit will remain unchanged from the current system.)

Seamless support for all child-rearing households

- ✓ **Childcare centers: From quantitative expansion to qualitative improvement** 118.7 billion yen* (+ 88.2 billion yen)
 - **First improvement in distribution of nursery teachers in 76 years:** [Children aged 4-5] 30 per nursery teachers → 25 per nursery teachers
 - **Wage increases for nursery teachers, etc.** based on FY2023 National Personnel Authority recommendations
- ✓ **Responding to diverse support needs** 86.7 billion yen* (+ 52.6 billion yen)
 - Enhancing support for **the prevention of child poverty and abuse, and for children with disabilities and those needing constant medical care.**
 - Expansion of **childcare allowances**, removing income caps on **assistive medical device benefits**

[Including a part of the Ministry of Health, Labor and Welfare budget]
*Increase from FY2022 to FY2024

Enhancing support from pregnancy and childbirth stages

Under implementation

- ✓ **Subsidies to support childbirth and child-rearing** 56.9 billion yen (+ 27.4 billion yen)
 - Financial support equivalent to 100,000 yen per child
- ✓ **Accompanied consultation support** 5.6 billion yen (+ 0.5 billion yen)
 - Respond to various difficulties and worries and connect them to support according to needs.

*The figures represent national budget amounts for FY2024 (totals of general and special accounts)

Creating a workplace where it is easy for workers to take childcare leave

- ✓ **Childcare leave benefit increase accompanying an increase in male workers taking childcare leave** 855.5 billion yen (+ 93.1 billion yen)
 - **Raising the government's share of the employee insurance premium rate (financial resources for childcare leave benefits) to one-eighth to enhance the resources**
 - *While keeping the employee insurance premium rate at 0.4% for the time being, the government will raise the rate to 0.5% from FY2025 and introduce a mechanism to flexibly adjust the rate according to financial conditions for the employee insurance system.
 - *Childcare leave benefits are recorded in the employment account of the labor insurance special account (in the budget for the Ministry of Health, Labor and Welfare). From FY2025, the benefits will be included in the **special account for child and child-rearing support**.

"Improvement of the Quality" of the Budget

Reflection of Budget Execution Survey and the Administration Expenditure Review

- Through a **flexible survey utilizing Local Finance Bureaus, etc.**, the government obtained and aggregated business reports from 22,000 medical corporations nationwide. Analysis of business reports, etc. revealed that the clinic business situation was extremely good (ordinary profit margin at 8.8% in FY2022). In the **revision of medical care fees**, the government implemented a downward revision of 0.25% (a decline of about 120 billion yen in annual healthcare expenditure (full fiscal year-scale)) to streamline and optimize healthcare mainly for clinics.
- Based on the **findings of the Administrative Expenditure Review**, the government flexibly eased the staffing standard (revised the ratio of users to long-term care staff from 3:1 to 3:0.9) through its long-term care fee revision for fee-based long-term care homes for the elderly where information and communication technology equipment is used to secure long-term care quality and reduce long-term care staff's burden.
- Utilizing **budget execution surveys** for private universities, the government **gave funding priority** to model universities that were tackling management reform and collaboration (2 billion yen). From FY2026, universities that fail to meet the standards regarding the ratio of enrollment to intake quota and business conditions will be required to formulate management reform plans so that **private university subsidies will be optimized**.

Improving efficiency by promoting digitalization

- The government will **eliminate overlapping investment** in information systems through its **transition to common information infrastructure** such as the **government cloud** (a common cloud service for the government) and the **government solution service** (an inter-ministry network for the government) (cutting expenses by about 2 billion yen for system infrastructure planned to transition to the government cloud by FY2024).

Efficiency and rationalization of defense force development

- The government will achieve efficiency and rationalization effects of -276.4 billion yen by **streamlining procedures for the acquisition of aircraft and other defense equipment** using **long-term contracts** and by **terminating the operation of outdated equipment, etc.**

Introduction of incentive function for each objective of policies

- To efficiently increase the effects of disaster prevention and reduction measures, the government will promote **flood, tsunami, and storm surge control measures** combined with **land use regulations**, while reducing housing support* in areas vulnerable to disasters and **reforming support** for areas for which no location normalization plans have been prepared.

*Programs subject to the reform include a child-rearing eco-home support program (40 billion yen in FY2024).

Fiscal consolidation of the local governments

- While local allocation tax grants and other financial resources for local governments are secured appropriately, the issuance of **extraordinary financial measures bonds** will be **cut to a record low** of **0.5 trillion yen** (down 0.5 trillion yen) to **steadily consolidate** local governments finance.

(Reference)

The FY2024 Budget Framework

[Expenditure and Revenue]

(unit: billion yen)

	FY2023 budget (initial)	FY2024 budget	FY2023 → FY2024	Notes
(Expenditure)				
General Expenditure	72,731.7	67,776.4	-4,955.4	
Social Security Expenditure	36,868.7	37,719.3	850.6	
Non-Social Security Expenditure	30,863.0	29,057.1	-1,806.0	- The Carry-Over to Defense Build-Up Fund in FY2024 is 0 yen. (FY2023: 3,380.6bn yen)
Contingency Fund for the Measures to Address soaring Crude Oil and Commodity Prices and to Set up the Environment for Promoting Wage Increases	5,000.0	1,000.0	-4,000.0	
Local Allocation Tax Grants, etc.	16,399.2	17,786.3	1,387.1	
National Debt Service	25,250.3	27,009.0	1,758.7	
of which Redemption of the National Debt (Excluding Subsidy Bonds)	16,389.5	16,941.7	552.3	
of which Interest Payments	8,472.3	9,691.0	1,218.7	
Total	114,381.2	112,571.7	-1,809.5	
(Revenue)				
Tax Revenue	69,440.0	69,608.0	168.0	
Other Revenue	9,318.2	7,514.7	-1,803.5	
Government Bonds Issuance (Difference between Expenditure and Tax Revenues, etc.)	35,623.0	35,449.0	-174.0	- Bond Dependency Ratio: 31.5%
Amount Equivalent to Redemption of the National Debt (Excluding Subsidy Bonds)	16,389.5	16,941.7	552.3	- Construction Bonds Issuance FY2023: 6,558.0bn yen → FY2024: 6,579.0bn yen
Amount equivalent to Interest Payments	8,472.3	9,691.0	1,218.7	- Special Deficit-Financing Bonds Issuance FY2023: 29,065.0bn yen → FY2024: 28,870.0bn yen
Amount equivalent to Deficit from Policy Expenditure (Primary Deficit)	10,761.3	8,816.3	-1,945.0	- Fiscal Balance Deficit (total amount equivalent to interest payments and deficit from policy expenditure) is 18.5tn yen
Total	114,381.2	112,571.7	-1,809.5	

(Note1) The FY2023 budget is reclassified for a comparison with the FY2024 budget.

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

(Note3) The General Contingency reserves in the FY2024 budget is increased by 500bn yen from the FY2023 Budget to 1tn yen to enable a seamless and flexible initiative depending on the recovery and reconstruction phase, etc. of the 2024 Noto Peninsula earthquake.

(Note4) The figure of "Contingency Fund for the Measures to Address soaring Crude Oil and Commodity Prices and to Set up the Environment for Promoting Wage Increases" for FY2023 initial budget is sum of "Contingency Fund for the COVID-19 and "Measures to Address soaring Crude Oil and Commodity Prices" and "Contingency Fund for Economic Emergency (including the impact from the Ukraine Crisis)".

(Note5) "Tax Revenue" includes stamp revenue.

(Note6) The classification of "Government Bonds 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 bonds issuance will not be immediately appropriated to the redemption of the national debt and interest payments.

[Government Bonds Outstanding, etc.]

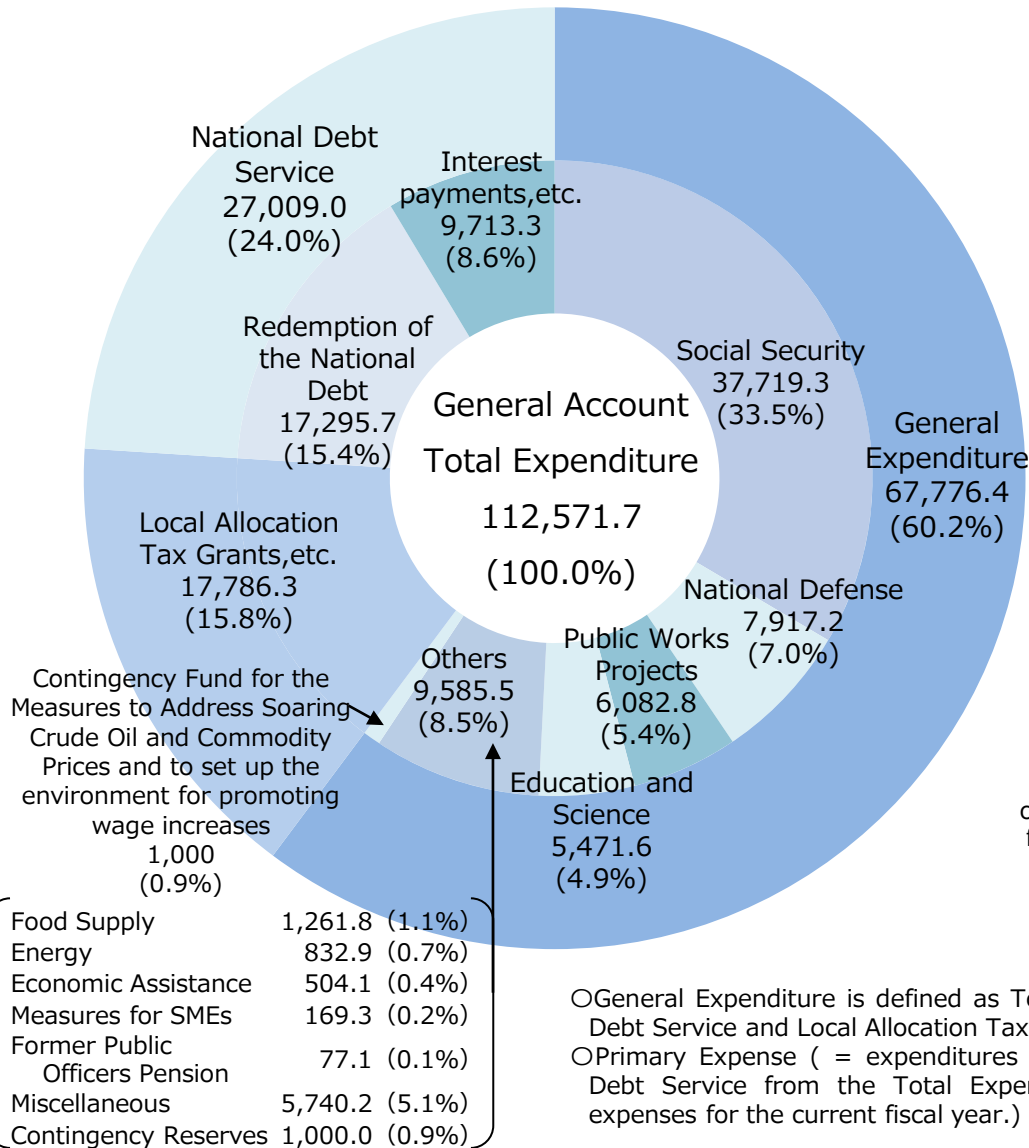
(unit: trillion yen)

	Estimation at the end of FY2023 (as of FY2023 initial budget)	Estimation at the end of FY2024 (as of FY2024 initial budget)	FY2023 → FY2024	Notes
Government Bonds Outstanding	1,068.0	1,105.4	37.3	- Fiscal Balance Deficit: about 18.5tn yen
Nominal GDP	597.5	615.3	17.8	- Additional Debt in the FY2023 Supplementary Budget: about 8.9tn yen
Government Bonds Outstanding / GDP ratio	178.7%	179.6%	0.9%	- Redemption through Transfer of Surplus in the FY2023 Supplementary Budget: about -1.3tn yen
cf) Planned Government Bonds Issuance	193.8	172.0	-21.8	- Increase in Advanced Refunding Bonds: about 19.5tn yen
of which Amount in General Account	35.6	35.4	-0.2	- Reflecting of actual issuance results, etc.: about -8.2tn yen
of which Amount in Special Account for the Government Debt Consolidation Fund	157.6	135.5	-22.0	- Total about 37.3tn yen

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

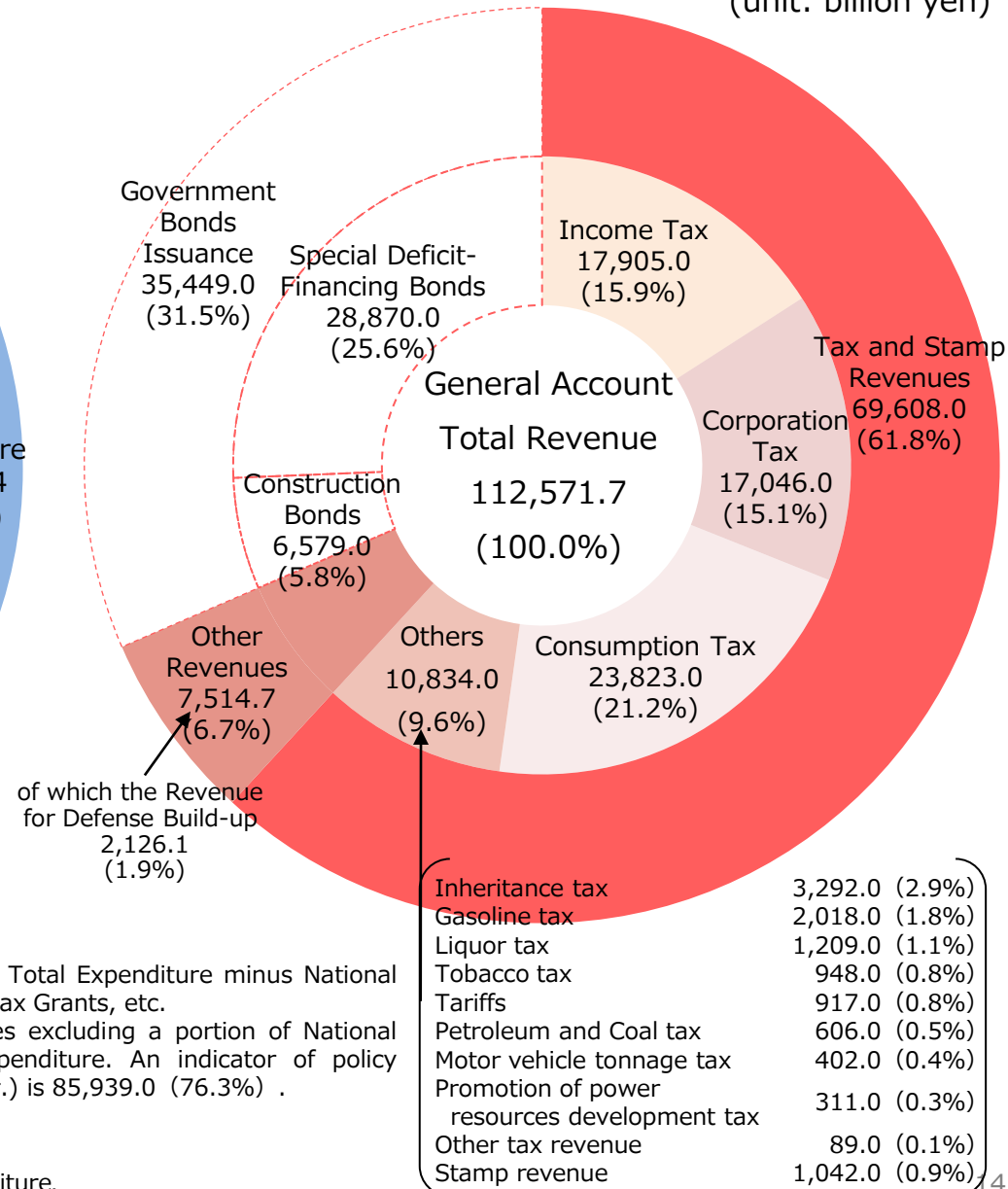
The FY2024 Budget: Expenditure and Revenue

General Account Expenditure



General Account Revenue

(unit: billion yen)

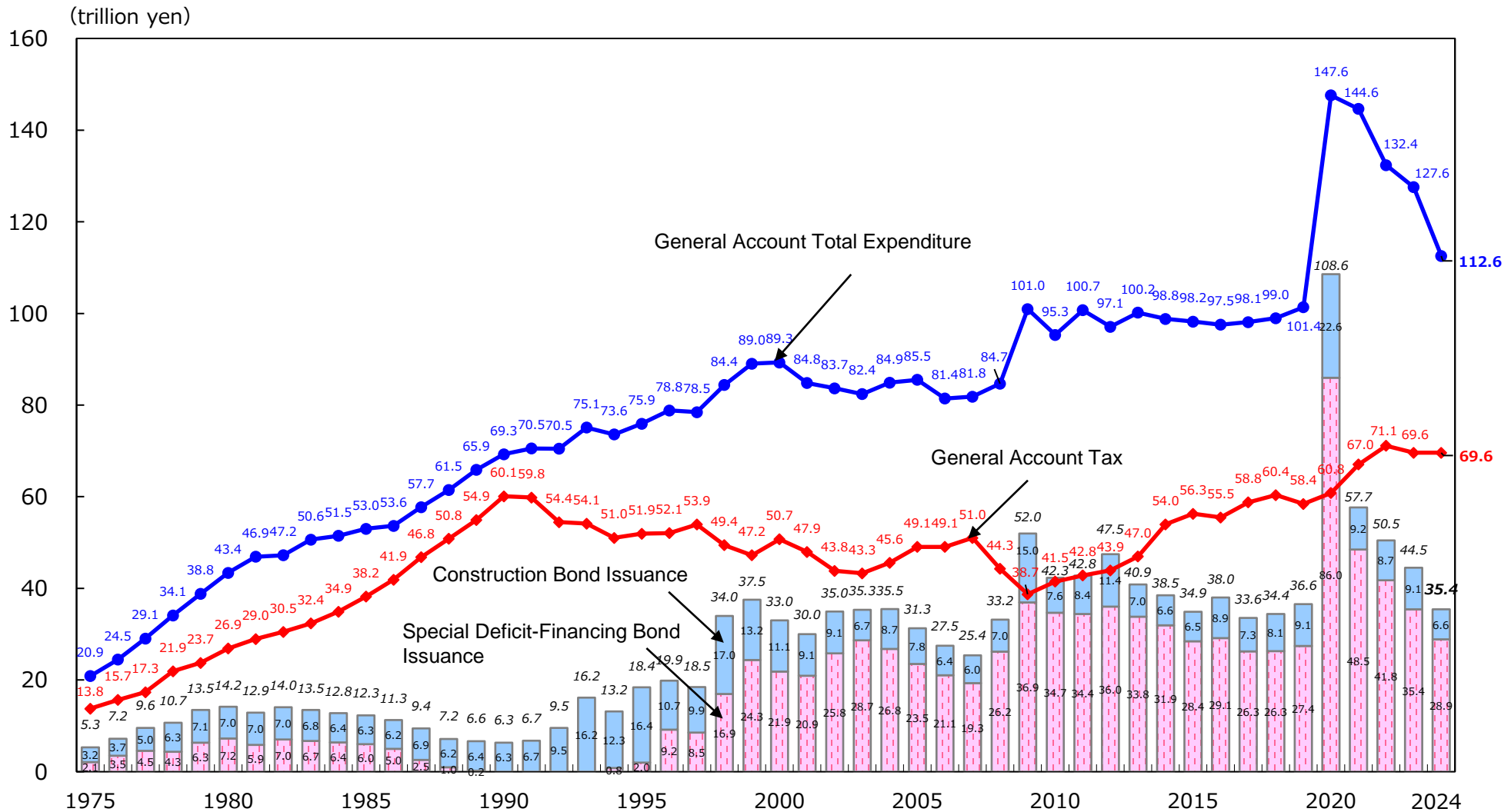


○General Expenditure is defined as Total Expenditure minus National Debt Service and Local Allocation Tax Grants, etc.
 ○Primary Expense (= expenditures excluding a portion of National Debt Service from the Total Expenditure. An indicator of policy expenses for the current fiscal year.) is 85,939.0 (76.3%) .

(Note1) Figures may not add up to the total due to rounding.

(Note2) Social security related expenditures account for 55.7% of the general expenditure.

Trends in General Account Expenditure, Tax Revenue and Bond Issuance



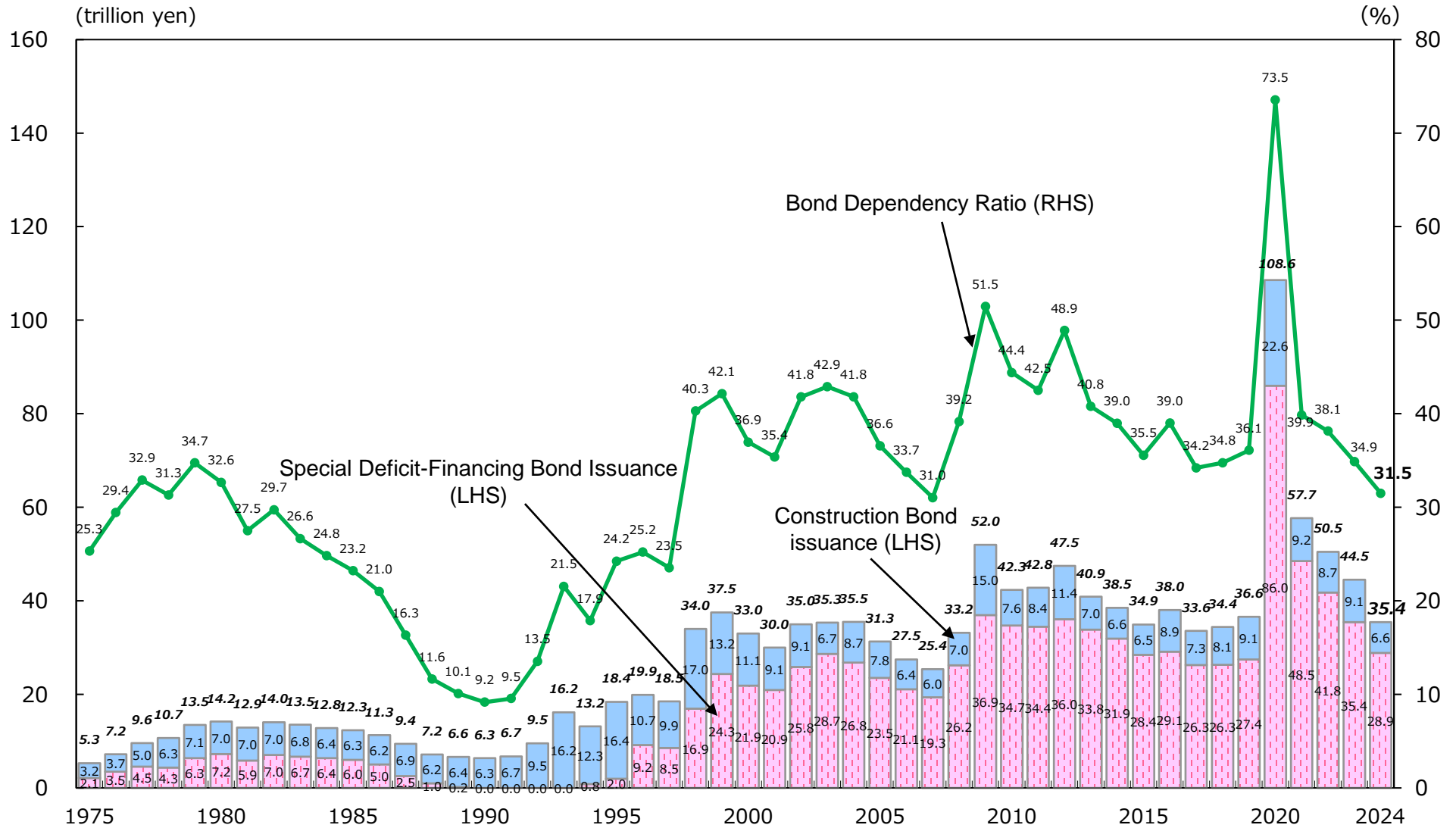
(Note 1) FY1975 - FY2022: settled figures; FY2023: based on the supplementary budget; FY2024: Based on the draft budget

(Note 2) The 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 - FY1996 to make up for decline in tax revenue due to a series of tax cuts preceding consumption tax 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.

(Note 3) The general account total expenditure of FY2023 includes the carry-over (4.4 trillion yen) to Defense Buildup Funds which is the resource for the national defense expenditure for FY2024 and years after.

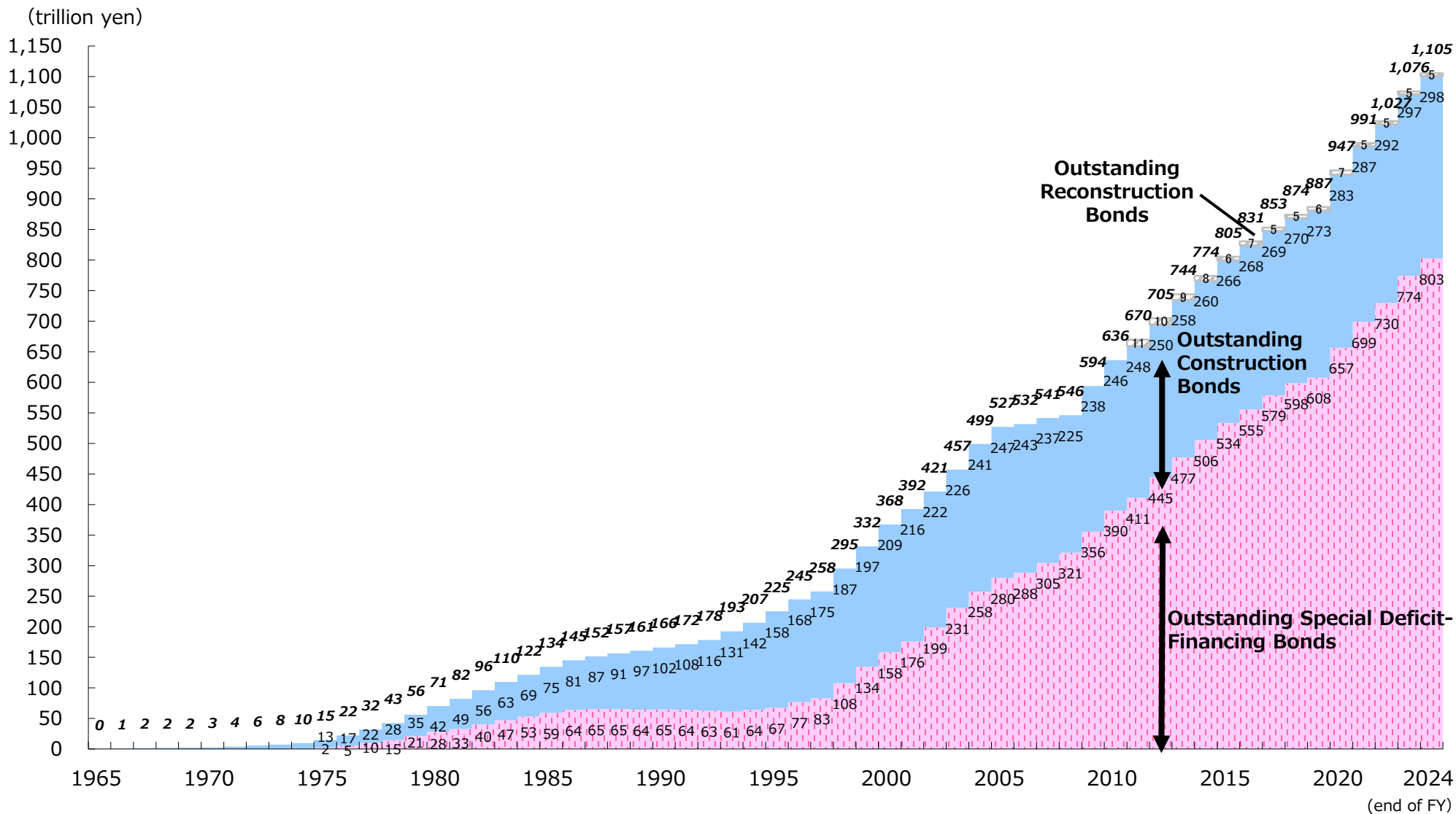
(FY)

Bond Issuance and Bond Dependency Ratio



(Note1) FY1975 - FY2022 : Settled figures; FY2023 : Based on the supplementary budget; FY2024: 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 General Bonds Outstanding



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 < actual >	FY2023 < estimated >	FY2024 < draft budget >
Central Government	390 (387)	493 (484)	573 (568)	770 (747)	901 (850)	914 (870)	973 (964)	1,017 (1,002)	1,053 (1,037)	1,102 (1,067)	1,136 (1,092)
General Bond	295 (293)	457 (448)	546 (541)	744 (721)	874 (823)	887 (843)	947 (937)	991 (976)	1,027 (1,012)	1,076 (1,041)	1,105 (1,061)
% of GDP	55% (55%)	87% (85%)	106% (105%)	145% (141%)	157% (148%)	159% (151%)	176% (174%)	179% (176%)	181% (179%)	180% (174%)	180% (172%)
Local Government	163	198	197	201	194	192	192	191	187	183	179
% of GDP	30%	38%	38%	39%	35%	35%	36%	34%	33%	31%	29%
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)	1,239 (1,224)	1,285 (1,250)	1,315 (1,270)
% of GDP	103% (103%)	131% (130%)	149% (148%)	190% (185%)	197% (188%)	199% (191%)	216% (214%)	218% (215%)	219% (216%)	215% (209%)	214% (206%)

(Note1) GDP for FY1998 - FY2022: Actual figures, FY2023 and FY2024: Based on "Economic Outlook and Basic Stance for Economic and Fiscal Management"

(Note2) Central government debt for FY1998 - FY2022: Actual figures, FY2023: Based on the supplementary budget, FY2024: Based on the draft budget.

Local government debt for FY1998 - FY2022: Actual figures, FY2023 and FY2024: 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, GX Economy Transition Bonds and Child Special Bonds (Tentative name).

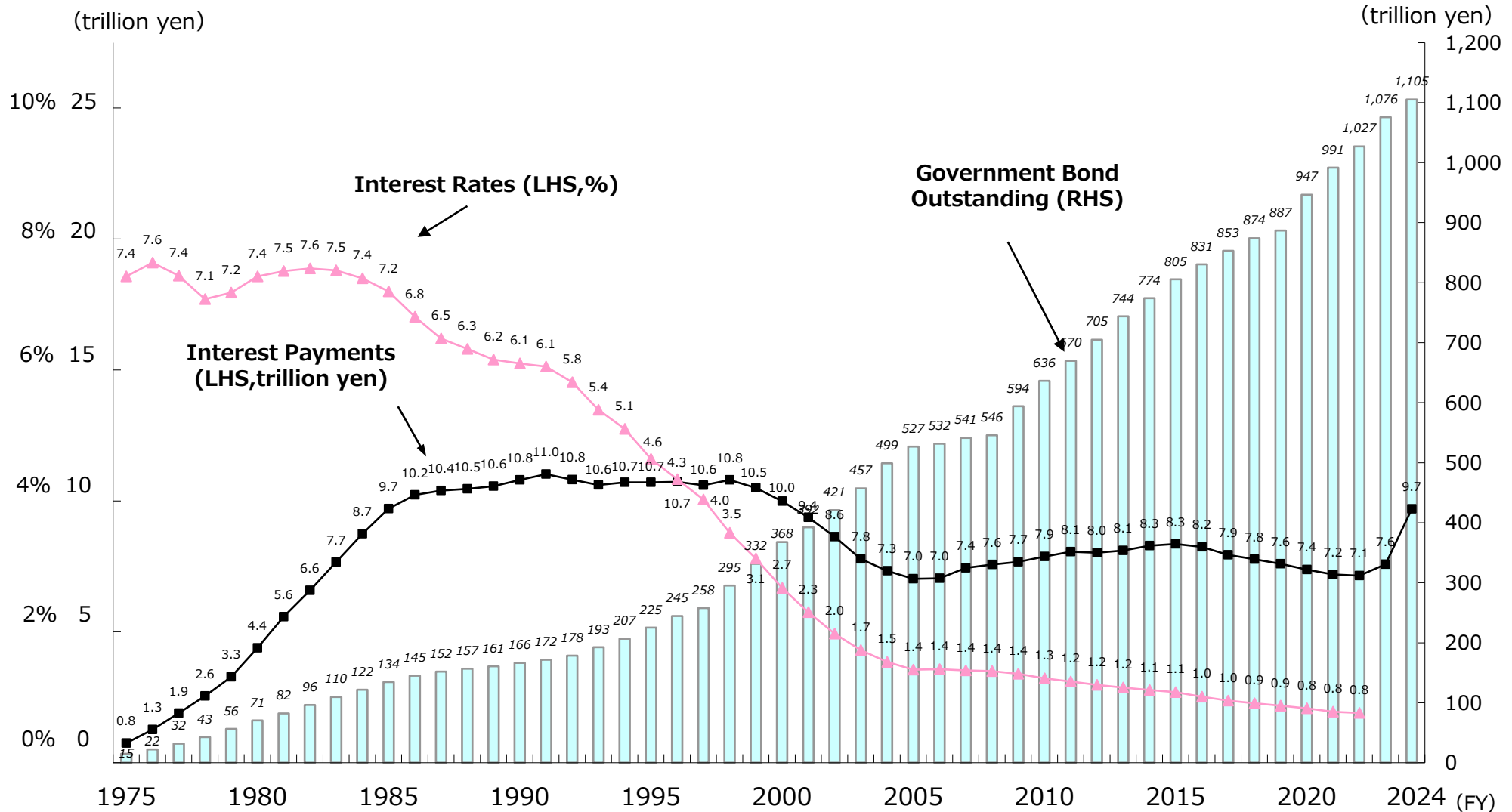
(Note4) FY1998 - FY2022: Figures in parentheses do not include the issuance amount of advance refunding bonds for refinancing in the following fiscal year.

FY2023 - FY2024: 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 FY2024).

(Note6) Government bond outstanding in the special account for fiscal investment and loan program in FY2024 is approximately 92 trillion yen.

Trends in interest payments and interest rates



(Note1) Interest payments for FY1975 - FY2022: Settled figures; FY2023: Based on the supplementary budget; FY2024: Based on the draft budget.

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

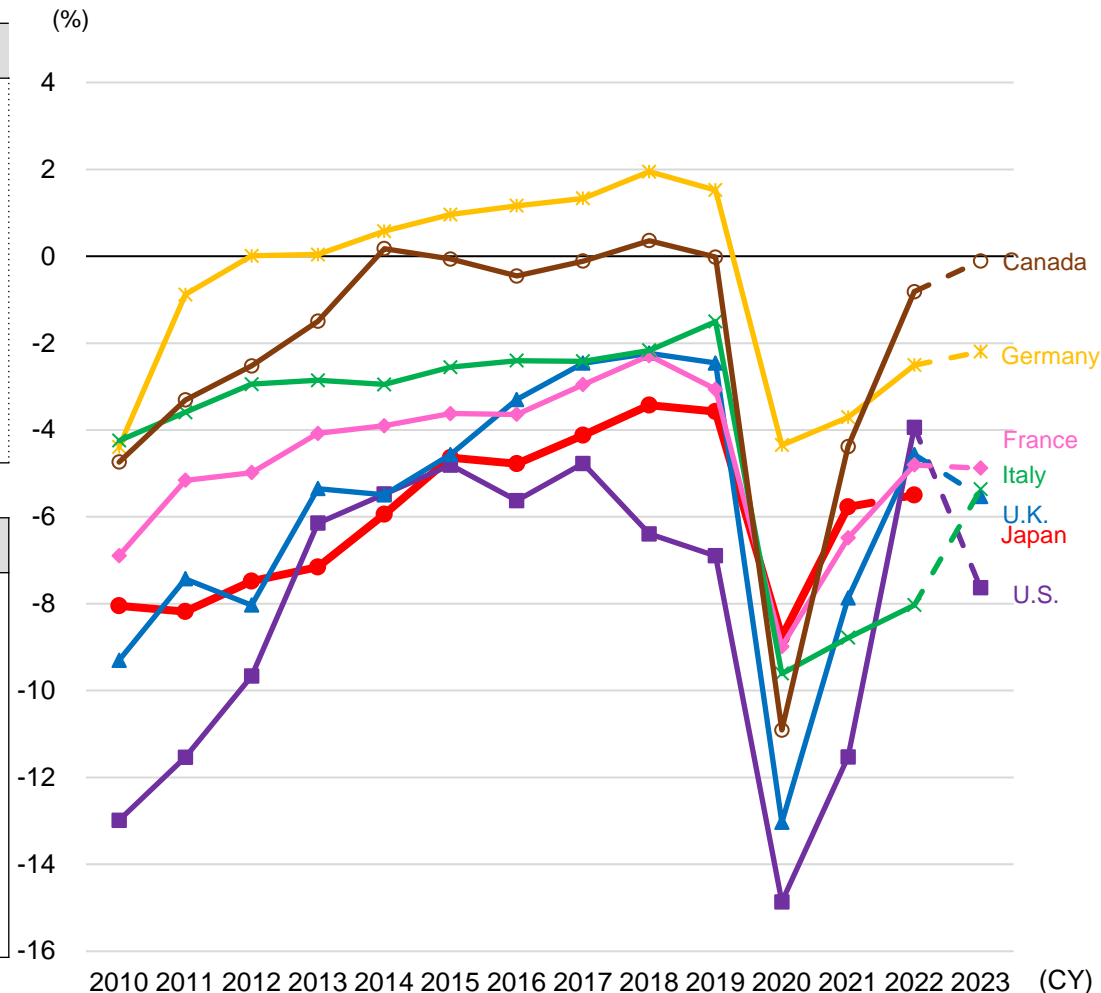
(Note3) Government bond outstanding for FY1975 - FY2022: Figures at the end of each fiscal year, FY2023: Based on the supplementary budget, FY2024: Based on the draft budget.

International Comparison of General Government Fiscal Balance (% of GDP)

(%)

CY	2010	2011	2012	2013	2014	2015	2016
Japan	- 8.0	- 8.2	- 7.5	- 7.2	- 5.9	- 4.6	- 4.8
U.S.	- 13.0	- 11.5	- 9.7	- 6.1	- 5.5	- 4.8	- 5.6
U.K.	- 9.3	- 7.4	- 8.0	- 5.3	- 5.5	- 4.6	- 3.3
Germany	- 4.4	- 0.9	0.0	0.0	0.6	1.0	1.2
France	- 6.9	- 5.2	- 5.0	- 4.1	- 3.9	- 3.6	- 3.6
Italy	- 4.2	- 3.6	- 2.9	- 2.9	- 3.0	- 2.6	- 2.4
Canada	- 4.7	- 3.3	- 2.5	- 1.5	0.2	- 0.1	- 0.5

CY	2017	2018	2019	2020	2021	2022	2023
Japan	- 4.1	- 3.4	- 3.6	- 8.8	- 5.8	- 5.5	-
U.S.	- 4.8	- 6.4	- 6.9	- 14.9	- 11.5	- 3.9	- 7.6
U.K.	- 2.5	- 2.2	- 2.5	- 13.0	- 7.9	- 4.6	- 5.5
Germany	1.3	1.9	1.5	- 4.3	- 3.7	- 2.5	- 2.2
France	- 3.0	- 2.3	- 3.1	- 9.0	- 6.5	- 4.8	- 4.9
Italy	- 2.4	- 2.2	- 1.5	- 9.6	- 8.8	- 8.0	- 5.4
Canada	- 0.1	0.4	- 0.0	- 10.9	- 4.4	- 0.8	- 0.1



(Source) OECD "Economic Outlook 114" (November 29, 2023)

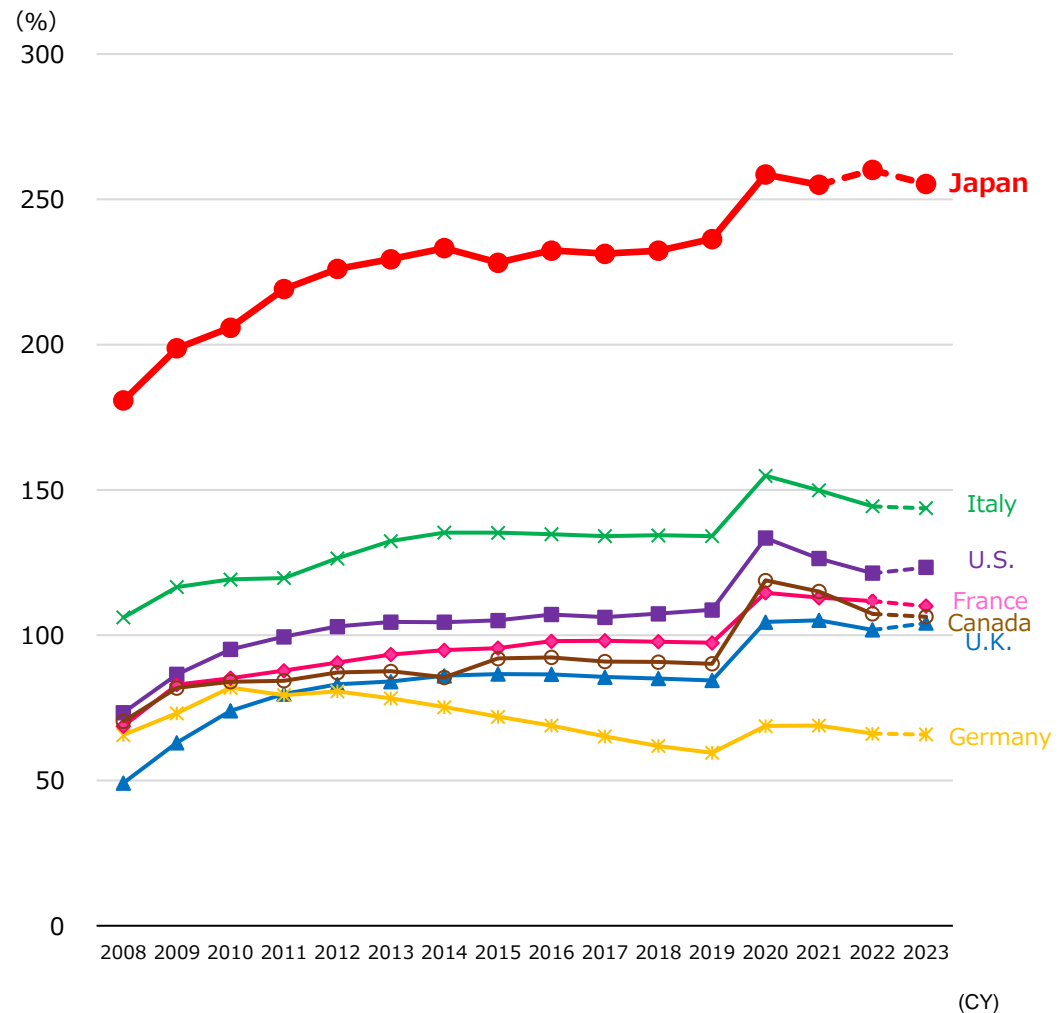
(Note1) The figures represent the general-government-based data (the central/local governments and social security funds combined), except for Japan and U.S., where the figures of the social security funds are excluded.

(Note2) The 2022 figures for Japan and the 2023 figures for other countries are estimated figures. However, the 2023 figures for Japan has not been published.

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

	(%)							
CY	2008	2009	2010	2011	2012	2013	2014	2015
Japan	180.9	198.8	205.9	219.2	226.1	229.5	233.3	228.3
U.S.	73.4	86.6	95.1	99.5	103.0	104.5	104.5	105.1
U.K.	49.2	63.1	74.0	79.8	83.1	84.1	86.1	86.7
Germany	65.7	73.2	82.0	79.4	80.7	78.3	75.3	71.9
France	68.8	83.0	85.3	87.8	90.6	93.4	94.9	95.6
Italy	106.2	116.6	119.2	119.7	126.5	132.5	135.4	135.3
Canada	70.4	81.9	84.0	84.3	87.2	87.6	85.5	92.0

CY	2016	2017	2018	2019	2020	2021	2022	2023
Japan	232.4	231.3	232.4	236.4	258.6	255.1	260.1	255.2
U.S.	107.2	106.2	107.4	108.7	133.5	126.4	121.3	123.3
U.K.	86.6	85.6	85.2	84.5	104.6	105.2	101.9	104.1
Germany	69.0	65.2	61.9	59.5	68.7	69.0	66.1	65.9
France	98.0	98.1	97.8	97.4	114.7	113.0	111.8	110.0
Italy	134.8	134.2	134.4	134.2	154.9	149.9	144.4	143.7
Canada	92.4	90.9	90.8	90.2	118.9	115.1	107.4	106.4



(Source) IMF "World Economic Outlook" (October 2023).

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

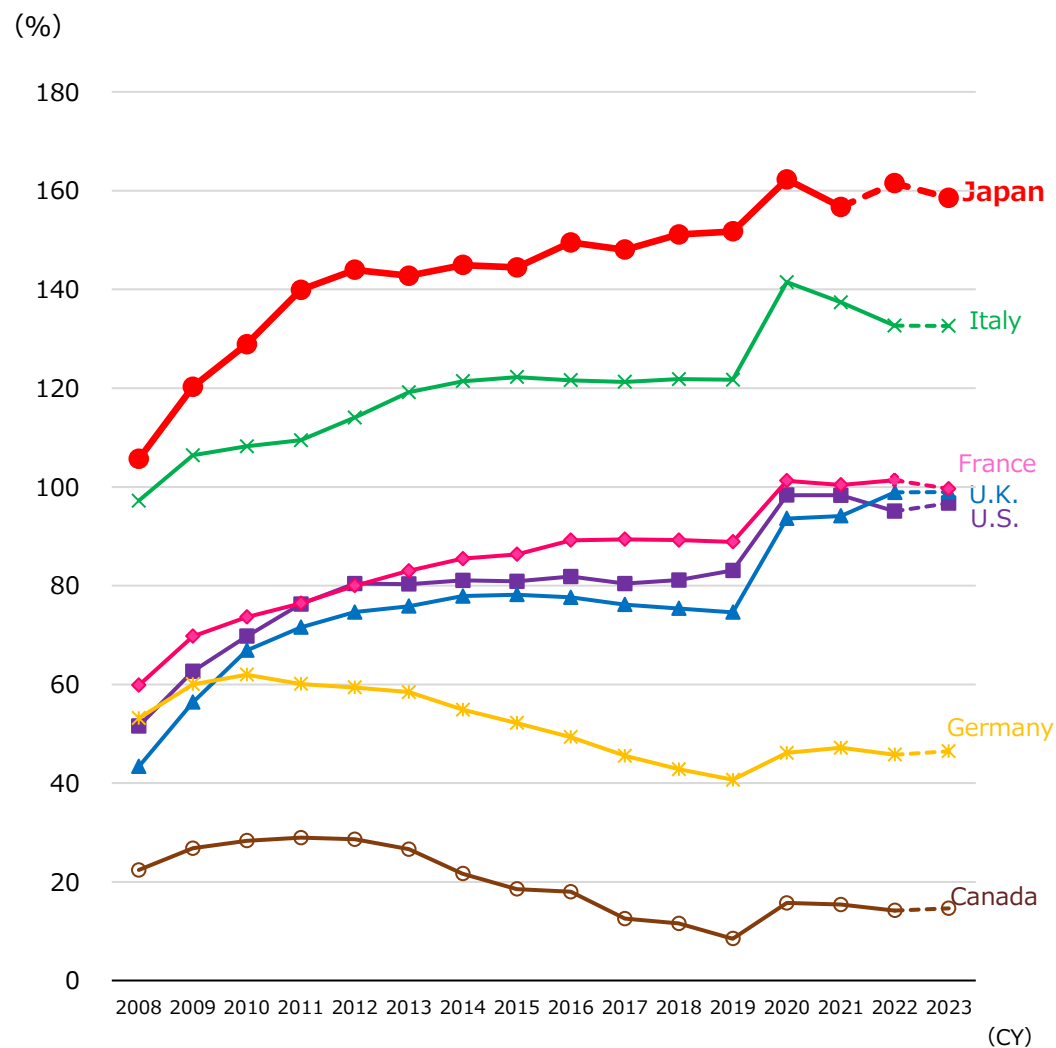
(Note2) 2022-2023 figures for Japan and 2023 figures for the other countries are estimated figures.

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

(%)

CY	2008	2009	2010	2011	2012	2013	2014	2015
Japan	105.7	120.3	128.9	139.9	144.0	142.8	144.9	144.5
U.S.	51.5	62.6	69.7	76.2	80.4	80.3	81.1	80.9
U.K.	43.4	56.4	66.9	71.6	74.6	75.8	77.9	78.2
Germany	53.2	60.0	62.0	60.1	59.4	58.4	54.9	52.2
France	59.8	69.8	73.6	76.4	80.0	83.0	85.5	86.3
Italy	97.2	106.4	108.2	109.5	114.1	119.2	121.4	122.2
Canada	22.4	26.8	28.3	28.9	28.6	26.6	21.7	18.5

CY	2016	2017	2018	2019	2020	2021	2022	2023
Japan	149.5	148.1	151.1	151.7	162.3	156.7	161.5	158.5
U.S.	81.8	80.4	81.1	83.1	98.3	98.3	95.1	96.7
U.K.	77.6	76.2	75.4	74.6	93.6	94.1	98.9	99.0
Germany	49.3	45.5	42.8	40.7	46.1	47.2	45.8	46.5
France	89.2	89.4	89.2	88.9	101.2	100.4	101.4	99.6
Italy	121.6	121.3	121.8	121.7	141.5	137.4	132.7	132.6
Canada	18.0	12.5	11.6	8.5	15.7	15.4	14.2	14.6



(Source) IMF "World Economic Outlook" (October 2023).

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

(Note2) 2022-2023 figures for Japan and 2023 figures for other countries are estimated figures.

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