

March 30, 2012

Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai  
**On the Cabinet Decision on the Legislation  
Related to the Consumption Tax Raise**

1. I appreciate that the cabinet finally reached a decision about the consumption tax under the leadership of Prime Minister Noda just before the close of fiscal year 2011. We have witnessed the preceding governments procrastinate on raising the consumption tax rate, while the fiscal condition in Japan has been in a more serious situation compared to the United States and to countries in Europe. I hope the ruling and opposition parties will make responsible contributions to the Diet session that follows.
2. Even if the 10 percent increase in the consumption tax is agreed upon at the Diet, achieving a primary balance surplus by 2020 still remains a formidable challenge. At the same time, as we have already pointed out, the increase in taxes is still not adequate enough to meet the fundamental goal of a unified social security and tax reform. Having recognized this, we hereby confirm our strong support for the approval of this legislation, as we regard the consumption tax increase as an inevitable first step in pushing forward the necessary reforms to realize a sustainable social security system and fiscal surplus in the future.
3. We have to be aware that the markets are keen to see if the government possesses the resolution and capability to implement necessary measures to realize fiscal soundness in Japan. To achieve these ends, the government needs to go beyond increasing the consumption tax or implementing drastic cuts in government expenditures. Among others, it is essential to secure/realize an increase in tax revenues by getting the Japanese economy back on track to stable growth. As stated in the additional clause of the bill, the government must seriously pursue the target of “an annual 3 percent increase in nominal GDP, and an annual 2 percent increase in real GDP.”
4. It is regrettable that the recent discussion regarding the unified social security and tax systems puts too much focus on simply raising the consumption tax rate, while lacking a comprehensive plan for achieving

fiscal soundness and lacking a vision for the ideal tax system for Japan. In order to realize economic growth and address inequality both within and between generations, it is crucial to form a strategic and holistic approach to the fiscal and tax systems. I hope the government will present its vision on what the tax system of Japan should be in the future, along with their plan for the mid- to long-term fiscal framework—and then proceed with the necessary steps to implement that vision.

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