

June 30, 2015

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On the Cabinet Approval of “Japan Revitalization Strategy,”
“Basic Policies for the Economic and Fiscal Management and Reform,”
and Other Documents**

1. Today, Abe Cabinet approved its policy framework documents. They are;
“Japan Revitalization Strategy (Revised in 2015),”
“Basic Rebirth Policies for Local Economies, Younger Generation, and Jobs 2015,”
“Regulatory Reform Implementation Plan,”
“Declaration to be the World’s Most Advanced IT Nation (Revision),” and
“Basic Policies for the Economic and Fiscal Management and Reform 2015.”
Empowered by these policies to strengthen Japan’s earning power and the international competitiveness as a business hub, Japanese corporations must realize a private-sector driven sustainable growth by applying creativity and innovation. On the other hand, the government must achieve both economic growth and the fiscal consolidation by steadily and firmly executing the fiscal consolidation plan including FY2016 annual budget.
2. We appreciate that Japan Revitalization Strategy incorporates six projects in the three prioritized policy areas as detailed in “Reform 2020 (public and private joint projects that accelerate growth strategy)” due in 2020 or five years from now. Japanese corporations must proactively participate in these projects as we position the year 2020 to be a crucial turning point for Japan. Progress in achieving major KPIs (Key Performance Indicator) and specific new measures to be taken are clearly presented in this year’s Strategy. The execution of the plan-do-check-act cycle will be more crucial going forward for the existing key measures, considering that the Strategy this time is the third revision. In this regard, we believe from a perspective of corporate executives that there is room for improvement in terms of analyzing the reasons of a slow progress and the cost of each measure.
3. The Basic Policies have set an interim target for FY2018 to achieve a primary balance (PB) deficit of roughly 1% of GDP. It goes with ensuring the FY2020 target to bring the PB balance back into the black by promoting “the integrated economic and fiscal reform.”

For the pending issue of the social-security-related costs, the Basic Policies have determined the continuation of the roughly 1.5 trillion yen increase equivalent to the past three year trend until FY2018. The preconditions such as the economic growth, inflation, and the tax revenue growth for achieving the PB surplus in FY2020 are not easy to satisfy. We expect the Specialized Research Committee to be newly established under the Council on Economic and Fiscal Policy to steadily and firmly execute the plan–do–check–act cycle of the fiscal consolidation plan for items such as curb/reduction of the annual expenditure.

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