

**2025 New Year Message**  
**Reiwa Collaborative Capitalism Model—Creating a New Economy**  
**and Society Through Labor Mobility and Corporate Renewal—**

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**1. Boosting labor mobility and accelerating corporate renewal**

As the Japanese economy has already shifted from deflation to inflation, 2025 is the crucial time for wage increases. We absolutely must make 2025 the year in which increases in take-home pay and lifetime income are achieved through transformation into a new economy and society.

Keizai Doyukai has proposed “collaborative capitalism,” which enhances the people’s well-being through both growth and collaboration, as the economic and social vision that Japan should aim for. As a prerequisite for this, growth through innovation driven by diverse individuals is necessary, and achieving that requires boosting labor mobility and revitalizing enterprises; that is, the revival of the dynamism of capitalism.

Labor mobility is already rising among the younger generation, and the previous administration instituted labor market reforms. Amid the continuing labor shortage, winning or losing the competition to secure talent determines companies’ creation of innovation and eventually their survival. We should seize this opportunity to enhance labor mobility across generations, move into an age of great human resources mobility in which the active participation of diverse human resources is promoted, and through this accelerate corporate renewal all at once.

On the other hand, in Japan one out of every nine children is now suffering from poverty. Under such circumstances, rather than the capitalism that prevailed during and prior to the bubble economy period, we should aim at a new form of capitalism in which companies work together with the social sector comprising NPOs and impact startups. Such joint efforts can resolve the social issues that represent distortions created by the old form of capitalism. We believe it is precisely collaborative capitalism, in which well-being is achieved as companies pursue growth and greater trust from society, that is the Reiwa capitalism model.

Based on this collaborative capitalism, we would like to make 2025 a year to reawaken animal spirits in the Japanese economy and to create an economy and society filled with persistently enterprising action on the part of every individual and company.

## **2. Revival of the dynamism of capitalism and response to changes in the international order**

Japan is facing a great many issues including an increased social security burden on the working generation and low energy self-sufficiency in addition to population decline, the aging of society, and a labor shortage. Radical reforms of systems pertaining to these issues are required to continuously boost take-home pay and lifetime income. The following economic policies should be advanced without delay and the growth of all Japan realized including regional revitalization.

### **(Employment and labor)**

To achieve an improvement of the standard of living that is broadly felt by the Japanese people, it is necessary to establish a system to constantly boost wages at small and medium enterprises, which sustain 70% of employment. Specifically, support to small and medium enterprises for passing on higher costs and ensuring appropriate transactions should be continued, and the pass-on rate should be increased. Also, regarding the minimum wage, the goal should be to achieve a nationwide weighted average of ¥1,500 per hour in three years, and the government should make it possible to set a higher minimum wage in essential fields.

In addition, revitalizing small and medium enterprises leads to raising Japan's productivity and international competitiveness. In policies for small and medium enterprises, it is necessary to boost Japan's growth potential by abolishing subsidies and other measures that excessively extend the lives of companies with low productivity and low profitability and, instead, encouraging the vibrant growth of competitive companies with high productivity and the ability to pay higher wages.

Reinforcing the safety net for individuals is important to achieve dynamic labor mobility. An approach to employment insurance that matches the needs arising from diversified employment formats should be examined including expanded employment insurance education and training benefits and assistance for upskilling in public vocational training.

As a response to the labor shortage, in addition to the further labor participation of women, the elderly, and persons with disabilities, it is necessary to promote the active participation of foreign workers. To begin with, the enactment of basic laws laying out the fundamental approach to the receipt of foreign workers and their coexistence in local society should be examined, not to secure short-term manpower, but with a view toward their medium- to long-term active participation as personnel with expertise and skills to

support the continuous growth of Japan.

**(The environment and energy)**

Energy policy will have to be changed to respond to the increase in electric power demand accompanying the digitalization of the economy and society and to achieve carbon neutrality by 2050. Boosting Japan's energy self-sufficiency and enhancing energy cost competitiveness would support the expansion of new investment in growth fields, the consequent increase in productivity, and sustainable growth.

The restarting, replacement, and new construction of nuclear power plants should be advanced with safety ensured by the Nuclear Regulation Authority toward securing low-cost and stable energy supply and carbon-free power sources.

Meanwhile, to achieve carbon neutrality by 2050, it is necessary to form a global market to promote the creation of green value. Japan should join with like-minded countries and other parties to promote rulemaking for the green market using a coexistence and mutual prosperity approach and emphasizing a free, fair, and just economic order.

Also, the public and private sectors must work together to develop innovative energy conservation technology and implement it in society, with a view to exporting it as well, making use of Japan's strengths as a leader in this field.

**(Social security and public finance)**

The members of the Japanese baby boom generation (individuals born between 1947 and 1949) will all be 75 or older in 2025 and the growth in social security expenditures is expected to continue for the time being. To increase the people's take-home pay under these conditions, it will be necessary to revise the social security expenses burden structure and reform to a system that provides the necessary security while limiting social insurance premiums.

As a fundamental solution to the so-called "annual income wall," the 2025 reform to the pension system should stipulate the timing for the phase-out of the Category III insured persons system in advance and incorporate reforms to promote the prompt transition to Category II insured persons. Moreover, in order to reduce the social insurance premiums of the working generation, the burden structure including the framework for medical cost assistance to people aged 75 and above needs to be revised.

In public finance, given the shift to an inflationary economy, policies that gain the maximum impact from limited funds are required. An evidence-based policymaking (EBPM) promotion act (tentative name) should be enacted, EBPM methods thoroughly

implemented, and public money strategically spent on policies that can be expected to have a large effect. Also, in the national budget, the elasticity of taxes is projected to increase with the shift from deflation to inflation. The national budget should be drafted more accurately considering this as well.

### **(Regulatory reform and startup policy)**

Productivity improvements utilizing advanced technologies and the creation of new markets that enhance the people's well-being need to be promoted through regulatory reform and startup policy to achieve sustained growth even as the population declines.

In regulatory reform, to ensure the provision of public transport via ride-sharing and boost user convenience, a new law that promotes appropriate operations and fair competition should be enacted. In the medical field, areas where mixed (both insured and non-insured) medical treatment is permitted should be expanded, and regulatory reform should also be advanced to facilitate higher productivity from making larger-scale agricultural plots.

In startup policy, in order to create startups centered on the deep tech field (life sciences, quantum, space, nuclear power, decarbonization-related, etc.), which contributes to the resolution of global issues, Japanese venture capital should be lifted to the global level and efforts must be made to expand ecosystems toward increasing startups originating from universities nationwide.

Meanwhile, globally, following the launch of a new administration in the US with Donald Trump as president, protectionist policies are highly likely to be strengthened under the "America First" principle. While maintaining the Japan-US alliance as the core, in policies regarding fields such as trade, national security, and energy, it is essential for Japan to reconsider its diplomatic policy of relying solely on the US.

While it is necessary to continue stressing that the Japan-US alliance is a diplomatic foundation that benefits the national interests of both countries, in fields pertaining to economic security, Japan should strengthen its cooperation with South Korea, Australia, the Philippines, India, and other interested countries so that Japan does not lean only toward the US. On the other hand, in fields that are not concerned with economic security, Japan should freely advance communication with China and use exchange via Expo 2025, which will be held in Osaka this year, as the touchstone for such efforts.

Furthermore, Japan, which has advanced multilateral free trade, needs to promote the reconstruction of free trade from Asia. Under the principle of maintaining a free and open

international order based on the rule of law, while firmly maintaining a high-standard Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) toward constructing a framework in which many countries participate, Japan should consider incorporating the Global South into the Regional Comprehensive Economic Partnership (RCEP) to spread intra-regional economic cooperation and mutually beneficial relations. The Ninth Tokyo International Conference on African Development (TICAD 9) will be held in Japan this year, and it is necessary to work toward reinforcing relations between Japan and the Global South by further strengthening coordinated public-private assistance for development in Africa.

### **3. Corporate management reform to create a private-sector-led economy**

Growth through innovation is realized through a private-sector-led economy with competition and renewal as its foundation. With the shift to an inflationary economy amid an ongoing labor shortage, continued wage hikes that exceed price increases become necessary in the competition to secure human resources. Furthermore, large enterprises and leading medium enterprises must ensure that they act fairly when passing on labor expenses so that other small and medium enterprises can secure the funds required for wage increases.

To continue such wage hikes, investment for value creation through higher productivity and innovation must be expanded and corporate profitability increased. Specifically, investment is needed in the introduction of AI tools and other digital transformation initiatives, as well as in the upskilling required to utilize such digital tools. Furthermore, efforts should be made to increase corporate value via M&A between large enterprises and startups and to accelerate business growth through M&A among listed and unlisted startups. The arrangement of an environment in which accounting standards regarding the amortization of goodwill are on an equal footing with the global standard is also necessary to stimulate M&A activity.

Diversity, equity, and inclusion (DEI) is the wellspring of innovation creation. We corporate executives must implement measures in corporate management whereby diverse personnel can play active roles and link these to reforms in society.

Meanwhile, the stipulation regarding use of a single surname for married couples, whereby one surname must be chosen at the time of marriage, is causing conditions that differ from the ideal DEI society, which aims at respect of the individual, substantive equality between the sexes, and the acceptance of diverse family structures. Regarding the use of former surnames as common names, which has expanded under these

circumstances, the practical limitations and the cost burden should be presented and greater social understanding promoted for a system whereby couples may choose to retain separate surnames after marriage.

#### **4. Initiatives by Keizai Doyukai**

The Keizai Doyukai seeks to delineate and present the overall image of the systems and policies for transformation to an economy and society that realizes well-being achieving both growth and collaboration (the Reiwa collaborative capitalism model) through lively discussion among members. We will also consider fully developing our capacity to act as a think tank that evaluates policy and aim to deploy that capacity.

Furthermore, we position realization of collaborative capitalism as an ongoing activity of our association, and we aim to uphold both business growth and the creation of social impact by systematically continuing these efforts. Together with the Japan Association of New Public and the Impact Startup Association, we are providing assistance to address child poverty, youth isolation, and the reconstruction of the Noto region, and we aim to have collaborative capitalism broadly recognized in society by spreading information about such concrete activities.

In international activities, we plan to send chairperson's missions to the US (February), India (March), and China (November) to hold discussions with opinion leaders and government officials in each country and build up a global network.