

Reiwa Collaborative Capitalism Model —Building a New Economy and Society—

2024 New Year Message Executive Summary

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The year 2024 is truly a turning point of the times. We want this to be the starting year to put forth a new vision, break away from the economic and social model continued through the Showa (1926–89) and Heisei (1989–2019) eras, and build a new private-sector-driven economy and society without excessive dependence on government expenditures.

- **The vision Japan should aim for is “collaborative capitalism”:** The nation should aim to realize well-being achieving both private-sector-driven growth and collaboration. Companies must work together with the social sector to address social issues and thereby create new businesses and innovation with a view to strengthening resilience and boosting corporate value. To create a win-win society where anyone can rise again after failing, companies and the social sector must manifest their animal spirits.¹
- **Realization of well-being:** We must make Japan a society where people can work with vigor and peace of mind throughout their lives. It is crucial to ensure healthy longevity and provide all generations with opportunities for career design and reskilling so that more people can work throughout their lifetimes. Also, to increase the range of career choices, young people should be encouraged to play active roles both in Japan and abroad.

1. Breaking away from the Showa/Heisei model and creating the Reiwa collaborative capitalism model

- The Showa/Heisei model refers to the form of the economy and society that comprised the systems established under the population increase and high economic growth of the Showa era and the policies during the “lost 30 years” in the Heisei era. Under deflation, the animal spirits of companies declined and Japan fell to a record-low 35th place in the IMD World Competitiveness Ranking 2023.
- The decline of Japan cannot be stopped without breaking away from the Showa/Heisei model. The year 2024 should be the year to fire up the engine to growth in a positive and

¹ The spirit of challenge to put forth one’s own raison d’être and purpose in society and, by pursuing these, to work to achieve social benefits.

forward-looking manner. We must break away from the Showa/Heisei model and step forward to the creation of the Reiwa (the current era that began in 2019) collaborative capitalism model through bold structural reform led by the private sector.

- The Reiwa collaborative capitalism model comprises systems and policies that drastically transform the economy and society to realize well-being achieving both growth and collaboration even amid heightening geopolitical risk and the further progress of the declining birthrate and aging of society.
- It is necessary to eliminate the fear of job loss through greater labor mobility, realize an economy with positive interest rates, and renew existing industries and businesses. A model that does not put off the pains of reforms and provides measures to overcome them is exactly what will pioneer a new Japan.

2. What companies must address to create the Reiwa collaborative capitalism model

(1) Human capital investment and work-style reforms

- Increase real wages through structural wage hikes. In particular, wage hikes in the service industry are indispensable for creating a virtuous economic cycle.
- Introduce workforce reskilling and job-based pay while pursuing work-style reforms that promote the active participation of diverse personnel.

(2) Expansion of domestic and overseas investment and fostering of innovation

- Promote the use of generative artificial intelligence by all generations and other digital transformation initiatives while expanding domestic investment in energy, health care, and other new frontiers. Create an ecosystem where more startups can continue to grow after the initial public offering.
- Strengthen global management to increase returns on investment, and benefit from growth, overseas.
- Foster an organizational culture where diverse personnel including LGBTQ+ can play active roles (promotion of diversity, equity, and inclusion).

(3) Participation in collaboration with the social sector

- Through collaboration activities toward resolving social issues, gain approval and trust from society to boost corporate value over the long term.

3. Priority policy issues to create the Reiwa collaborative capitalism model

(1) Reform of benefits and burdens in social security

- Promptly shift to a new model supported equitably by all generations in accordance with their ability to bear burdens that takes financial income and assets also into account.
- Secure funding for measures to address the declining birthrate by implementing a thorough reform of expenditures in the medical services and long-term care fields;

the social insurance premium burden should not be increased.

- (2) Strengthening of energy, regulatory reform, and other policies essential for sustainable growth
 - Utilize nuclear reactors with safety assurances to meet the rising energy demand driven by the digital economy and achieve carbon neutrality. Together with that, further expand the introduction of renewable energy.
 - Promote swift and bold regulatory reform. Introduce a new ride-sharing law as soon as possible.
- (3) Moderate shift of monetary policy toward an economy with positive interest rates
 - Need to present the message of monetary normalization and the path to achieving it, while powerfully advancing growth strategy to limit the impact on the real economy.

4. Creation and implementation of the Reiwa collaborative capitalism model by Keizai Doyukai

- (1) Clearly assert Keizai Doyukai's intentions on choices that involve trade-offs
 - Propose realistic and highly effective solutions to substantive issues, and gain society's approval.
- (2) Work on the Management Talent Development Academy project in full swing
 - Gain knowledge based not only on policy and management but also on the liberal arts (history and philosophy).
- (3) Organize initiatives to resolve social issues in collaboration with the Japan Association of New Public and the Impact Startup Association
 - Propose the reform of the corporate version of the hometown tax program to make it a permanent and easier-to-use system.