KEIZAI DOYUKAI

July 21, 2026

Statement by Akio Yamaguchi, Chairperson of Keizai Doyukai on Cabinet Approval of "Japan's Growth Strategy" and "Basic Policy on Economic and Fiscal Management and Reform 2026"

Today, the Cabinet approved "Japan's Growth Strategy" and the "Basic Policy on Economic and Fiscal Management and Reform 2026."

1. As emphasized in both documents, establishing the "Strong and Prosperous Japan Investment Framework" and refining the multi-year budgetary system are of vital importance to restoring a strong economy, as these measures will enhance corporate predictability and encourage private-sector investment. While new initiatives should be vigorously pursued through public-private risk sharing, it is the private sectors that must drive growth under market principles once businesses are on track. Meanwhile, ensuring the sustainable operation of these initiatives requires three key pillars: i) prioritization among relevant fields and measures, ii) formulation of an operational roadmap extending through FY2040, alongside a detailed monitoring system for progress, costs, and performance, and iii) introduction of a third-party assessment system to ensure effective investment outcomes.

2. Japan's consumption tax is an essential revenue source supporting the nation's social security, with its steady growth expected going forward. As interest rate conditions in Japan normalize following years of ultra-loose monetary policy, we must never bypass the processes of carefully assessing the potential impact of any consumption tax cut on market confidence in Japan's fiscal health, long-term interest rates, and foreign exchange rates. The government, along with both ruling and opposition parties, must clarify the fiscal merits and demerits of available policy options, such as the full-fledged introduction this autumn of a carefully designed, income-linked cash transfer scheme. A tax rate cut is by no means the sole option. We urge all parties to deliver a solution to this matter as swiftly as possible through bipartisan, responsible deliberations.

3. On the social security front, the Basic Policy 2026 incorporates the social security burden ratio as a target metric, while referencing a review of the Category 3 insured status system. We welcome this approach as a positive step toward easing the burden on working generations and establishing a system that is neutral regarding work styles. However, it is regrettable that the Basic Policy 2026 does not delve deeply enough into the co-payment ratio for elderly patients aged 70 and older, even while giving appropriate consideration to low-income earners. The government must further deepen deliberations through the National Council on Social Security to achieve an appropriate balance between benefits and contributions across the entire system, as

well as an optimal mix between tax revenues and social security insurance fees. We strongly urge further social security reform, recognizing it as an integral part of a growth strategy that encourages labor participation and stimulates consumption.

4. Japan now stands at an opportune moment to secure sustainable growth. Seizing this opportunity requires efforts that transcend the boundaries between the public and private sectors, guided by a bird's eye view that encompasses the economy, public spending, finance, and social security. Today's Cabinet approval serves as a clear signal that we have entered a phase requiring action from business leaders. We, as business leaders, stand ready to contribute to restoring a strong economy through our corporate management and remain committed to resolving the various challenges facing our nation.

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