



**Realize Sustained Creation of Diverse Values Through
a “Society Co-created by Its *Seikatsusha*”**

—*Seikatsusha*’s Choices and Actions—

October 2022

**Keizai Doyukai
(Japan Association of Corporate Executives)**

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October 11, 2022
Keizai Doyukai

Chapter 1: People Agonizing Because of Inability to Visualize the Future amid the Stagnation and Regression of the Economic Society

The economic society around us is facing various difficult problems, such as disparity and divisions brought about by global capitalism. The term “lost decade” that came about at the turn of the 21st century has been updated to what we now know as the “lost three decades.”

During this time, using reverse thinking, Japan has strived to contribute to the world by becoming an “advanced problem-solving nation.” However, not much progress has been made in problem-solving while several unforeseen issues have also emerged, resulting in many people agonizing because of their inability to visualize the future.

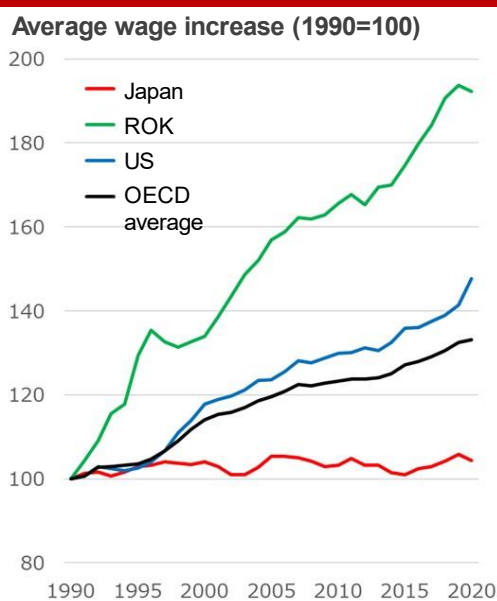
(1) With sluggish increase in wages and income, Japan is hardly a high-income country

Wages and income have not increased much in Japan. Wages of ordinary workers¹ have merely increased by 0.52% in 20 years, from ¥305,800 in FY2001 to ¥307,400 in FY2021 and declared income² has increased by only 6.50% in 19 years, from ¥40.0 trillion in FY2001 to ¥42.6 trillion in FY2020.

An international comparison of average wages³ shows that in the 30 years from 1990, wages rose by 94% in the ROK, 48% in the US, and an average of 33% in the OECD nations, while the increase in Japan was a mere 7%. In 2021, among the OECD members with an average wage of ¥5.59 million, Japan has dropped to 22nd place with an average wage of some ¥4.47 million.

Furthermore, although the government has raised minimum wage (weighted national average)⁴ by 40.1% over 20 years, from ¥664 in FY2001 to ¥930 in FY2021, and has been actively involved in wage increases in recent years through government-led spring labor offensive, a virtuous cycle of growth and distribution has yet to be realized.

Chart 1-1: International Comparison of Average Wages



Source: Created by Keizai Doiyukai based on "OECD Data"

Average wages (2020)

Ranking	Country	Ave. wages
1	US	\$69,392
2	Iceland	\$67,488
3	Luxembourg	\$65,854
4	Switzerland	\$64,824
5	Netherlands	\$58,828
6	Denmark	\$58,430
7	Norway	\$55,780
8	Canada	\$55,342
9	Australia	\$55,206
10	Belgium	\$54,327
11	Germany	\$53,745
14	UK	\$47,147
17	France	\$45,581
19	ROK	\$41,960
22	Japan	\$38,515
24	Italy	\$37,769
-	OECD average	\$49,165

Source: Created by Keizai Doiyukai based on "OECD Data"

(2) Concerns about cost-push inflation with price increases in goods and services

The aftermath of the involuntary suspension of supply chains due to COVID-19, worsening trade conditions due to the US-China trade war, the Russian invasion of Ukraine, and other factors have resulted in unbridled spiraling of commodity prices in the world. In Japan, the rapid yen depreciation owing to its continuing zero-interest rate policy (while other countries of the world are raising their interest rates) and various other factors have forced many companies that can no longer absorb the additional cost to increase prices of goods and services.

In light of rising gasoline prices, the government drew up a policy package to deal with spiraling gasoline and commodity prices. Even though it is paying ¥30 subsidy for each liter of gasoline, prices remain high; there was a time the average price across the country went above ¥170. Prices of more than 20,000 items of food and drinks went up⁵ by an average of 14%. No end is in sight for this trend, triggering concerns about so-called cost-push inflation.

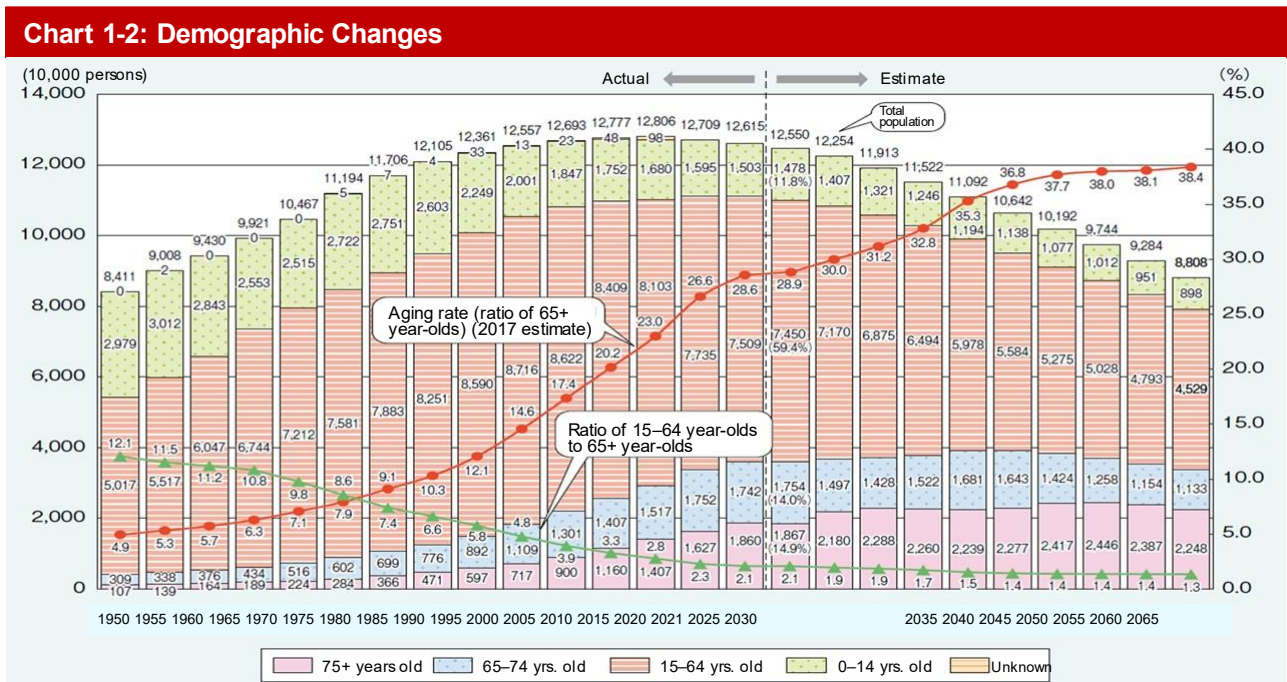
(3) Lingering worries about the future in a society of longevity and declining population

In an era of 100-year lifespan, along with the joy of living a long life, there is great interest in how to prepare for the risks of longevity. The aging rate (ratio of 65+ year-olds in the population) will reach 30% in 2025 and exceed 35% in 2040, and this ratio is expected to continue to rise.

In terms of nursing care at home, many elderly people are caring for each other.⁶ As of 2019, 59.7% of people aged 65 or older are caring for each other while 33.1% of those aged 75 or older are in the same situation. There is concern that there will also be an increase in people with dementia caring for each other in the future. Furthermore, an estimated 100,000 people are leaving their jobs for caregiving⁷ each year. On the other hand, many young carers⁸ are responsible for looking after their parents, grandparents, or siblings. It is

estimated that 5.7% of junior high school students and 4.1% of high school students are young carers. In addition, there has been an increase in deaths at home in one-person households in Tokyo (many of them possibly solitary deaths) in recent years. There were 8,950 such cases in 2020.

In this situation, it is not surprising that the question of ¥20 million savings needed in old age cited in the report “Asset Creation and Management in an Aged Society” issued by the Working Group on Financial Markets under the Financial System Council of the Financial Services Agency in June 2019 attracted great attention.



* Chapter 1 Notes

1 Ministry of Health, Labour and Welfare, “Basic Survey on Wage Structure.”

2 National Tax Agency, “Sample Survey of Declared Income Tax.”

3 OECD data on average wages (2020).

4 MHLW, “Status of Regional Minimum Wage Recommendations.”

5 Teikoku Databank, “Trends in Price Revision by ‘105 Major Food and Beverage Companies’ (October).”

6 MHLW, “Comprehensive Survey of Living Conditions (June 2019).”

7 Ministry of Internal Affairs and Communications, “Basic Survey on Employment Structure.”

8 MHLW, Ministry of Education, Culture, Sports, Science and Technology, “Research Report on Young Carers (March 2021).”

Chapter 2: Negligence of Politics, Administration, and Companies at the Root of the Lost Three Decades

Many of the unresolved issues facing Japan are the result of failure to take appropriate action despite their being noted or discussed fully in the past, or delay in taking decisions and actions when encountered by unforeseen events or under circumstances where agility matters.

Japan achieved economic revival from the ruins of World War II, becoming the number two economic power in the world in 1968. Experiencing the period of rapid economic growth and the collapse of the bubble economy subsequently, it was overtaken by China as the world's number two economy in 2010 after maintaining that position for 42 years. Looking back, with Japan entering the period of a mature economy after the collapse of the bubble economy, although it should have taken the initiative to transform society, it did not and could not change. In that sense, this can be termed negligence.

We would like to call the 30 years *we* lost after the collapse of the bubble economy the “lost three decades” with a sense of self-reproach. In particular, the private sector should have spearheaded social transformation through innovation, but unfortunately, business executives lacked the mettle to vigorously accomplish Japan's revival.

(1) Discussions exhausted on Japan's problems and solutions

First, the population issue. Total fertility rate has dropped below 2 since 1974, and the total population has peaked out in 2008 and its decline is accelerating. Several rounds of measures to stem the sagging birth rate has failed to achieve a reversal, and in 2021, the number of births ⁹ dropped to an all-time low at the 810,000-level due to the COVID pandemic, while the number of deaths ⁹ was 1.43 million, the highest in the postwar period.

Food self-sufficiency rate (in calories) ¹⁰ stood at 70% in FY1966, went down to 50% in FY1989, and dropped below 40% for the first time in FY2006. While the government has set self-sufficiency targets, the decline continues unabated.

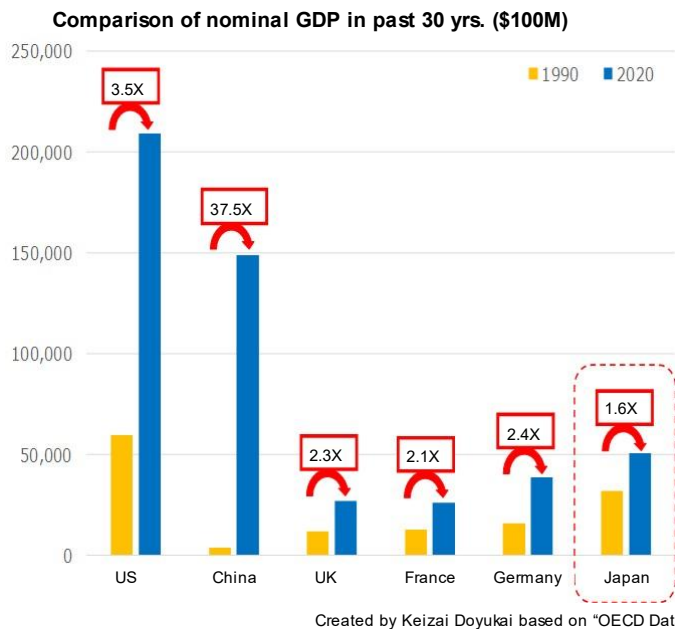
In terms of relative poverty rate, ¹¹ the Gini coefficient for initial income has increased in recent years, while the coefficient for income after redistribution has remained almost flat, meaning still relatively equitable society. Relative child poverty rate ¹¹ has also remained mostly unchanged.

In the past 30 years, nominal GDP ¹² grew 3.5 times in the US, 37.5 times in China, and more than twice in the UK, France, and Germany, while Japan's GDP grew by only 1.6 times. The target of “3% growth in nominal GDP and 2% real GDP growth” set under the “Big-boned Policy” in the 2010s has not been achieved. Furthermore, the balance of government debts (% of GDP) ¹³ has increased steadily, exceeding 200% in 2010 and currently standing at 256.9%. Basic fiscal balance (primary balance) remains in the red, and there is as yet no sign of restoring fiscal health. Due to prolonged stagnation lasting for 30 years, Japan has entered a process of degeneration into a relatively poor and weak country.

With regard to political participation, despite various steps taken to improve voter turnout, such as pre-election day voting and creating an environment to encourage voting, voter turnout ¹⁴ remains low. The voting rate for House of Representatives elections used to be

around 70% in the postwar period but has dropped below 70% since 1991. Voter turnout was at the 50% level in the three latest elections. The same is true for the House of Councillors elections. While the turnout was 65.02% in 1989, it has since dropped below 60%. Even with a slight improvement of 3 percentage points this year, the voting rate was still 52.16%, indicating a consistently low level.

Chart 2-1: Japan, a Country That “Does Not Change,” “Refuses to Change” —Degenerating into a Poorer, Weaker Country



Past growth strategies	Main goals	Prime Minister
Outline of Economic Growth Strategy (July 2006)	At least 2.2% real annual GDP growth rate in the next 10 years	Koizumi
Growth Acceleration Program (April 2007)	50% increase in per capita labor productivity in the next 5 years	Abe
Future Development Strategy (April 2009)	Increase real GDP by around ¥120 trillion by FY2020 (to around ¥600 trillion)	Aso
New Growth Strategy (December 2009)	¥650 trillion nominal GDP by FY2020	Hatoyama
Comprehensive Strategy for the Rebirth of Japan (July 2012)	Average 3% nominal GDP growth until FY2020	Noda
Japan Revitalization Strategy (June 2013)	Average 3% nominal GDP growth in the next 10 years	Abe
Japan Revitalization Strategy 2016 (June 2016)	¥600 trillion nominal GDP by around 2020	Abe

Source: Cabinet Office

(2) Unforeseen developments and failure to respond promptly and appropriately

Japan is an earthquake-prone country, so it has been making preparations based on experience. But many new lessons were learned from the immediate response to the Great East Japan Earthquake and subsequent restoration and reconstruction efforts. It must take effective measures to prepare for an earthquake occurring directly under the Tokyo Metropolitan Area and a Nankai Trough earthquake, which are predicted to occur in the near future.

Various issues relating to the COVID-19 epidemic remain unresolved, such as a legal system precluding lockdowns, collapse of medical services, the development and supply of Japan-made vaccines and medicines, and balancing with economic activities.

Furthermore, Russia’s invasion of Ukraine brought to light security issues, including food and energy security. Solutions to these issues and the issues arising from the US-China rivalry remain unclear, and this may give rise to even greater anxiety.

Chart 2-2: Issues Exposed by Unforeseen Events and Developments

<p>Great East Japan Earthquake</p>		<ul style="list-style-type: none"> ● Measures to deal with earthquake directly under Tokyo Metropolitan Area, Nankai Trough earthquake
<p>COVID-19</p>		<ul style="list-style-type: none"> ● Legal system precluding lockdown ● Insufficient use of data and digital tools as shown in delay in disbursing subsidies ● Healthcare system breakdown; development/supply of Japan-made vaccines and medicines ● Balance with economic activities
<p>Invasion of Ukraine US-China rivalry</p>		<ul style="list-style-type: none"> ● Security, including food, energy ● Supply chains

(3) Why has Japan failed to achieve its goals and to change?

The government formulates a growth strategy every year in June. However, Japan's grand design as a nation, including the formulation process of this strategy, has not been shared explicitly by all concerned. The goals set for each area and the methodology to achieve them are nothing more than ways to catch up with the Western countries, prone to focus only on individual parts of economic growth. As a result, the economy has remained sluggish and has failed to break away from the state of low growth.

In DX, not only has Japan been overwhelmed by American digital platformers; it is now one lap behind other countries.

The Japan that our ancestors built and developed up to now ranks 10th in the Global Peace Index among 163 countries. It is in second place among 76 countries in "The Best Countries in the World," while it also ranks third among 60 countries in the Nation Brand Index. It is a great country highly appreciated by the world.

Perhaps this position has given rise to the danger of creating a situation of an inadvertently waning sense of crisis, content with the status quo, and avoidance of change. Japan, which has lost three decades, is indeed steeped in its past experience of rapid economic growth and success as the world's number two economy for 42 years. It has become complacent with being the world's number three economy today, does not have ambitions for the future, and is now used to the gradual slide downhill.

The Japanese as a people have an aversion to change. With the aftertaste of prosperity still lingering in society and failure to share a sense of crisis, vested interests are preserved, regeneration is not taking place, and improvement of productivity has been insufficient. Except in fields closely linked to geopolitics, business executives are the main reason for the failure to build user-friendly social infrastructure and realize self-reliant economic growth led by the private sector.

Chart 2-3: Present State of “Blessed Great Country” Japan Built by Our Ancestors

◆ Global Peace Index 10th/163 countries (Institute for Economics & Peace, Australia)

- Top among G7; peaceful, safe country (US ranks 129th)



◆ Best Countries in the World 2nd/76 countries (U.S. News & World Report)

- Autos, electronics, and other industries are top level in the world; traditional culture (e.g. tea ceremony, calligraphy, and martial arts) and food culture (e.g. sushi) are cited (Canada is first place)



◆ Nation Brands Index 3rd/60 countries (Anholt-Ipsos Nation Brands IndexSM)

- High ratings in “exports,” “tourism,” “culture,” and “people”
- Amazing Japanese honesty, e.g. “lost wallet is returned untouched,” and reliability of products made in Japan given high marks (Germany ranks 1st, Canada 2nd)



◆ Nominal GDP (dollar-based) 3rd/193 countries (IMF)

- Maintains presence in the world with size of economy

(4) Do not be overly pessimistic, take stock of the current situation, work for Japan’s revival from the *Seikatsusha*’s standpoint

The spirit of modesty is a virtue of the Japanese people, and their self-effacement is inscrutable to foreigners. On the other hand, while it takes time for them to build consensus, once they share the same goal they will dash ahead toward this goal. There is no need to be overly pessimistic about the present situation and the future.

At present, Japan’s per capita GDP ¹⁵ is in 28th place in the world at \$39,340. Among the European G7 nations, Germany ranks 18th at \$50,795; the UK, 22nd at \$47,203; France, 23rd, at \$44,853; and Italy, 29th, at \$35,473.

The gap between the rich and the poor in Japan is basically widening, but the disparity is still small compared to other countries. A substantial middle class, a “golden mean” in the positive sense, is a source of stable demand (consumption) and Japan’s great advantage. Japan has also been able to maintain a high educational level. Furthermore, small and mid-sized enterprises, which account for 99.7% of all companies and 70% of all employees (some 60 million), are very important. We would like to focus on these advantages and characteristics to aim at Japan’s revival starting from the *Seikatsusha*.

*Chapter 2 Notes

9 MHLW, “Vital Statistics (September 2022).”

10 Ministry of Agriculture, Forestry and Fisheries, “Japan’s Food Self-Sufficiency Rate.”

11 MHLW, “Survey on the Redistribution of Income.”

12 OECD data.

13 Ministry of Finance, “International Comparison of General Government Gross Debt (% of GDP).”

14 Ministry of Internal Affairs and Communications, “Trends in Voter Turnout in National Elections.”

15 IMF, in US\$ (2020).

Chapter 3: Creating Value Necessary for Happiness and Growth and a “Society Co-created by its *Seikatsusha*”

In the process of working for Japan’s revival, it is important to draw out and tap Japan’s strengths not only to compete globally, but also to contribute to the world. Satisfying individual needs and the quantitative expansion of the economy are necessary for social stability and development. We would like to achieve this through the choices and actions of all *Seikatsusha*, whose strength lies in Japanese tradition, culture, and spirit, in a “society co-created by its *Seikatsusha*.”

The society we strive for must be based on social consensus formed through open debate. We would like to explain the outline of the “Future Selection Forum,” which was created as a way to present the issues and options toward this goal. We will also explain the image of a typically Japanese society that young people envision in the not-so-distant future (in 10 years). KPIs based on 18 indices in three areas—economic growth, social inclusion, and sustainability—will be used to characterize Japan’s revival based on the Japanese spirit of mutual aid.

(1) A “society co-created by its *Seikatsusha*” that draws out and taps Japan’s strengths

(i) Happiness and growth necessary for social stability and development

The world is grappling with problems that have emerged with the advancement of globalism, the rise of anti-globalism, acceleration of nationalism that puts one’s own country first, monopolization by giant IT companies, disparity, divisions, and so forth. It is facing unprecedented difficulties. Even in an era of VUCA, marked by sophistication, complexity, and an unpredictable future, social stability and sustainable growth are still important. To this end, satisfying individual needs and the quantitative expansion of the economy are necessary.

Individuals have various needs. The level of happiness increases with the realization of what is desirable and valuable to an individual, including what is not obtainable with money. In particular, self-determination is very important both in work and in private life. With decisions being made by individuals themselves, even if the result is unsatisfactory, a sense of acceptance remains, and if the result is good, there will be a sense of satisfaction and achievement, ultimately raising the level of happiness.

In that sense, timely marketing of goods and services using digital tools through business activities of companies and other providers to enhance individuals’ sense of happiness will mean increased value added. Furthermore, with the diversification of sense of value, the level of satisfaction (effectiveness) gained from the same goods and services will differ with each user. Therefore, the amount of money paid (prices) will not necessarily be the same. There will be more of the so-called multiple pricing transactions. With this as well, value added will be created, spurring GDP growth.

(ii) Solve social problems, create value added, realize social transformation

Japan is a major economic power whose nominal GDP ranks third in the world, but it is also a mature country where the population is declining rapidly. What Japan needs to strive for from now on is the maximum happiness of all stakeholders in society and a society that pursues not only economic scale, but also qualitative growth.

In order to realize individual happiness and economic growth in the future, it is necessary to persist in solving social problems, creating value added, and realizing social transformation—which are admittedly the source of economic growth—through individuals’ ideas, the private sector’s vitality, and government support.

(iii) *Seikatsusha's strength lies in Japanese tradition, culture, and spirit*

Many distinguishing features of the Japanese people and society are often regarded as weaknesses in the lost three decades. However, in an era characterized by the clashing of diverse “self-interest,” resulting in divisions and poverty, they might actually prove to be of great advantage. As a matter of fact, the values exemplified by *bushido* and “The Analects and the Abacus,” the spirit of altruism, and so forth are essential elements for overcoming the shortcomings of capitalism so far.

Individual will and organizational power are the driving force behind major social change. We would like to call “individuals” who understand Japanese tradition, culture, and spirit, and “organizations” consisting mainly of these people, regardless of their nationality and whether their activities are based in Japan or overseas, “*Seikatsusha*.”

- ▶ *There is no English translation that can adequately express the concept of “Seikatsusha” in this article. It is reckoned that only a few countries in the world have such a comprehensive concept. In Keizai Doyukai’s discussions, it was also pointed out that the presence of “Seikatsusha” with a high cultural standard who can form a big collective may become a uniquely Japanese approach that will serve as the foundation for realizing a sustainable society.*

In our messaging on this proposal in Japan and overseas, we made a decision to use the term “Seikatsusha” in Roman letters in order to convey this uniquely Japanese concept more accurately.

(iv) A “society co-created by its *Seikatsusha*” built together with *Seikatsusha*’s diverse choices and actions

“*Seikatsusha*,” in concrete terms, includes all “individuals” in multiple roles and positions, such as family members, residents in local communities, voters, consumers, and workers. In that sense, company employees, business executives, politicians, public servants, and students are all “*Seikatsusha*.” In addition, all “organizations” formed by a collection of individuals, such as companies, groups, political parties, legislatures, local governments, government ministries, and schools, are also “*Seikatsusha*.”

Seikatsusha make independent choices and take action based on diverse values and thinking, such as short- or long-term and self-interest or altruism, when they consume, invest, get higher education, land a job, vote, and in other circumstances.

What is important here is: first, *Seikatsusha* are never spectators or critics; they will always have to participate as a concerned party; and second, social consensus is formed with democracy as its foundation.

For example, in politics, while direct versus indirect democracy or single-seat

constituencies versus proportional representation all have pros and cons, the decision-making mechanism functions under explicit rules.

Even in areas other than politics, for example, upon overcoming the irresponsibility of anonymity, SNS have become a social infrastructure used by *Seikatsusha* to say a few words or tweet, voice approval, share, and otherwise express an opinion, thus obtaining support, forming public opinion, and virtually building social consensus. It is possible that this may become the pillar of new democracy.

In order for *Seikatsusha* to build social consensus or make social decisions with their choices, it must be reaffirmed that there should be no despotism or dictatorship and the universal value of democracy must be upheld.

Even in an era where a solution that can win unanimous approval is difficult to find, we must insist on the participation of all *Seikatsusha* with diverse interests and positions. A “society co-created by its *Seikatsusha*” is created collectively by *Seikatsusha* under the uniquely Japanese spirit of mutual aid through choices for the future. Furthermore, such a society aiming at solving social problems and realizing social transformation will constitute the core of Japan, a country regarded as not only valuable but indispensable. We will engage in extensive messaging on this “society co-created by its *Seikatsusha*” in the world.

Chart 3-1: “Society Co-created by Its *Seikatsusha*”

A quality country that pursues not only economic scale, but also the happiness of all stakeholders of society as multifaceted value and qualitative growth
(**Japan, a country regarded by the world as valuable and indispensable**)

- ***Seikatsusha*** = all “individuals” playing multiple roles as consumers, workers, family members, responsible community members
- **All stakeholders in society** , including all organizations (companies, schools, local governments, national government, etc.) made up of individuals
- Creation of “value” such as prosperity and happiness through *seikatsusha*’s independent **choices and actions** (= consumption, higher education, employment, voting)

(2) “Future Selection Forum” presents options through open debate

This is no longer an era where various social problems can be discussed and solved by the business sector alone. And government councils have various problems, such as the enormous time and effort needed to adjust the complicated mix of interests and difficulty for the opinions of young people to be fully reflected because council members are often accomplished and experienced leading names in each field, representatives of organizations, etc. At least judging from the fact that the economic growth strategy formulated by the government every year has not produced results satisfactory to the people, the old ways are not enough. Experimenting with double-tracking the policymaking process should be

undertaken along with promoting greater diversity.

With this in mind, Keizai Doyukai launched the “Future Selection Forum” in September 2020 as a venue for open discussions by multi stakeholders toward the double-tracking of the policymaking process. Based on the thinking that those among the stakeholders who will be affected by the making and implementation of policy for a more prolonged period should participate more and be involved more deeply in the policymaking process, seven sessions of open forums and other meetings have been held so far with the participation of students and young businesspersons.

The Future Selection Forum has three distinguishing features. Emphasizing discussions that prioritize “future” rather than “present” interests and are based on evidence (data and facts), the forum is planned and operated by a preparatory meeting consisting of academics, young entrepreneurs, young bureaucrats, young representatives of social sectors, and others. We will continue to invite the participation of a broad range of *Seikatsusha* and work in cooperation with the political sector, labor, regional Keizai Doyukai, local government officials, and others.

Feature 1: Participants are from teens to people in their 70s

A forum for various stakeholders to engage in free discussion transcending differences in age, gender, affiliation, position, etc.

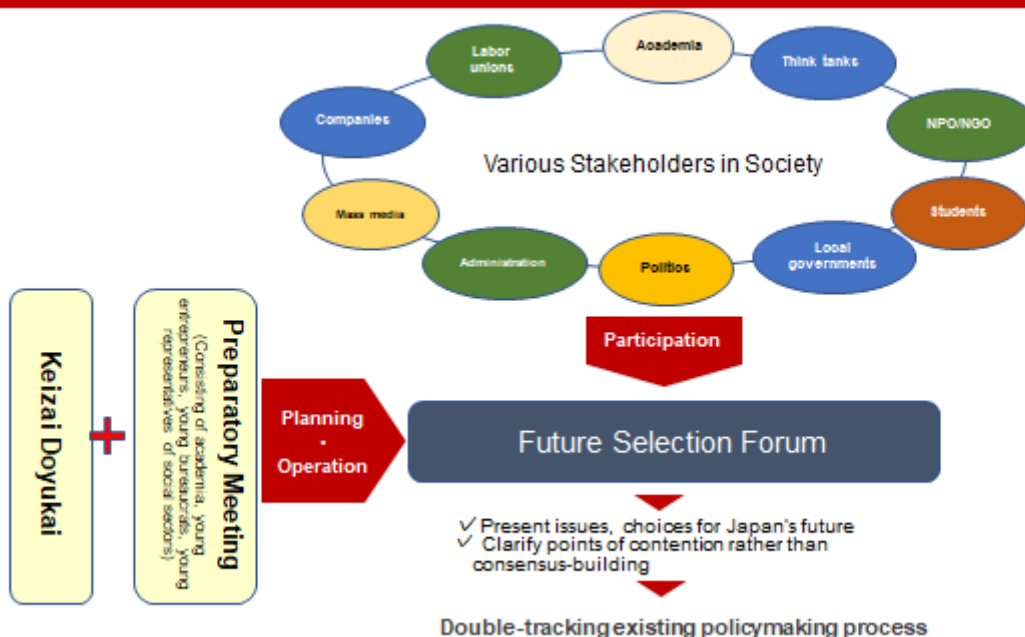
Feature 2: No *sontaku* [deferential conformism], scenario, or taboo

Present options, issues, and points of contention on important matters determining Japan’s future and engage in messaging to the public.

Feature 3: Options for the future and next generation

Make plans and promote discussions not only with Keizai Doyukai members, but also the next generation of various sectors.

Chart 3-2: Future Selection Forum



(3) Japan’s purpose and existence value and young people’s image of a typically Japanese society

Japan must strive to become a country that is regarded by the world as “not only valuable but indispensable.” It should define its existence value, or so-called “purpose,” and engage in messaging to the *Seikatsusha* and the world.

Specifically, based on its peculiar tradition, culture, and spirit, it should create value in the areas of “economic growth,” “social inclusion,” and “sustainability” to contribute to the world’s happiness and growth. At the same time, all *Seikatsusha* must take pride and have hopes for the future. Furthermore, while this will be difficult to accomplish, Japan should maintain a state worthy of a world leader in the eyes of all participants: “children and young people,” “all individuals,” “companies and other entities,” and “government.”

Image of Society Co-created by Its *Seikatsusha* in the Not-So-Distant Future (in 10 Years)

Here, we list the vision of four groups of people of a “society co-created by its *Seikatsusha*,” based on interviews with young people on their image of a typically Japanese society in 10 years conducted through the “connections” of the Future Selection Forum and Keizai Doyukai members’ companies.

(i) Children, young people Live in security and safety, able to give full play to individuality and independence freely

Education, learning, employment:

- A society that makes best use of individuals’ talents outside the bounds of compulsory education. (e.g. one might not be good in school but good at singing *enka*.)
- Advancement in education-related IT tools narrows down educational disparity among local areas or schools. Moving from uniform schooling by students’ age to teaching based on individual character and development stage enables students to feel the joy of learning. Grade skipping is allowed for certain subjects and it is common for 10-year-olds to take college courses.
- Learning in any subject of one’s choice is always possible regardless of age and location (in Japan or overseas).
- Studying in the university without financial worries is possible. Furthermore, getting a job is no longer the only option after graduating from the university. Going on to study in a Ph.D. program or study abroad or doing something else, such as starting a business or wandering around the world, becomes common. Fresh graduates joining the workforce is no longer the top choice.

(ii) All individuals Able to upgrade value creation ability throughout lifetime and take up challenges through purpose-based autonomous participation

supported by the whole society

Lifestyle:

- Individuals live their lives based on their own values. They are free to choose whether to marry or not, whether to have children or not, recurrent education, reskilling, sabbatical, etc. They have a place in a society that welcomes diversity at any age.
- Regardless of gender, housework and other life skills become the norm. Progress is made in women's social participation as well as men's engagement with family.
- Among working couples with children, both husband and wife are able to deal with childcare and housework depending on their work situation. In addition, they are able to use various public and private services for stress-free balance between work and childcare and housework.
- Even if income remains low for single-parent and senior-couple households, they are able to do what they want to do with social welfare and mutual aid from people around them, thus attaining the same high level of satisfaction with life.

Purpose-based actions:

- Challenge becomes the norm, and changing jobs becomes a matter of course in case of discrepancy between one's purpose and company policy. In such cases, no one worries about career gap due to unemployment or reeducation with the availability of many opportunities and support for repeated challenges.
- Wages commensurate with the labor value contributed to the company increase every year. Economic prosperity is felt, bringing about vigorous personal consumption.
- Information on purpose, environmental measures, and other matters is disclosed in an easy-to-understand manner. Support for companies and individuals is provided through choice, consumption, donation, and so forth. People choose environment-friendly goods even if they are a bit expensive.
- Messaging by SNS and other tools (with safeguards against fake news and malicious slander) forms public opinion and social consensus. In the area of political participation, evaluation and ranking of specific policy proposals are updated daily. Voters exercise their right through electronic voting by verifying politicians and political parties pledging the implementation of each policy proposal.
- Human contact is valued. A society of mutual aid is realized where people are connected remotely, if not physically, to prevent isolation and foster a sense of security.
 - ▶ *For example, a modern version of the row houses of the Edo Period,*

where one talked to the elders about problems, and everything from childcare to various troubles were taken care of in the community.

(iii) Companies, etc. Uphold a clear purpose that leads to value creation power and competitiveness; companies full of dynamism regardless of size, sector, and form

Social climate:

- Companies and the public support volunteers and social contribution activities, which are perceived to be cool. It becomes quite natural to mention NPOs one supports, volunteer activities, etc. in self-introduction.
- Corporate purpose becomes a deciding factor when applying for a job.

In-company systems:

- Individuals are able to make flexible career choices according to their lifestyle. For example, membership employment in their 20s; working without relocation to accommodate childcare in their 30s; and job-based employment making best use of accumulated specialist skills in their 40s.

Corporate posture:

- Business executives' most important mission is to solve social problems through innovation. This will indeed be the advent of “the era of corporate managers.”
- While promoting ambidexterity in management, they also provide purpose-based social value and happiness and become storytellers about this for easy understanding.
- The market, investors, and all individuals, including young people, make overall evaluation of companies based on the above and give support through purchase of goods and services, investment in stocks, and SNS.

(iv) Government Trust gained through a sustainable virtuous cycle with middle-level welfare and middle-level contribution; each individual actively takes the opportunity to participate in policymaking

Inclusive digitized social infrastructure:

- All laws, systems, procedures, and other social infrastructure services are digitized. At the same time, the term digital divide becomes obsolete.
- The so-called “bedrock regulations” of the Showa Era are scrapped, resulting not only in time and cost saving, but also allowing *Seikatsusha* to freely use social infrastructure in an environment where responsibility for security and safety is clearly identified.

Social welfare systems:

- It is now possible to ensure the sustainability of pension, medical, and nursing care systems (transformation of revenue structure). A sense of security about the future spurs personal consumption.
- All administrative procedures are digitized, and social security is provided directly to the truly needy.

Security, safety:

- Government gains the people's great trust in foreign and security policies.
- Increasing intake of foreign workers under proper management, including in education and public order.

Participation in policymaking and evaluation:

- In order for *Seikatsusha* to participate in policymaking as active players through discussion and voting, government presents options for the future along with facts on major issues.
- Not only economic indicators, but the people's level of happiness also becomes measurable, with the results published every year. This, in a way, constitutes the report card on the government's performance.

(4) *Seikatsusha's* responsibility to support modern society “now” (Japan's present state)

There are all kinds of countries in the world. It is necessary to envision a society that draws out and taps Japan's strengths. To do this, it is necessary to understand Japan's present state first. We, *Seikatsusha* who live in the modern society “now,” has the responsibility to resolve the issues uncovered as a result of this process.

As a mental exercise in quantitative appraisal of Japan's present state, Keizai Doyukai, using its own method, calculated and compared Japan's “deviation values” in terms of 18 indices relating to three areas—“economic growth,” “social inclusion,” and “sustainability”—among 38 OECD member states + China. A deviation value of 50 is the average, while over 50 is in the upper bracket, and under 50 is in the lower group. Here, we will look at the scores of Japan, the US, Germany, Sweden, and France.

Japan maintains high valuations in security and safety as shown in the Global Peace Index, and in nominal GDP as the country ranked third in the world. It is slightly above average in per capita GDP and TFP (innovation), maintaining a certain level of global presence.

On the other hand, its deviation value for social expenditure is 54.4; 44.6 for national contribution rate; and 16.5 for balance of government debts, clearly indicating a serious imbalance in benefits and contribution. It goes without saying that if this situation remains unchanged, Japan will not be able to sustain its prosperity.

Chart 3-3: Japan's Current State as Seen from "Deviation Values" in Various Indices

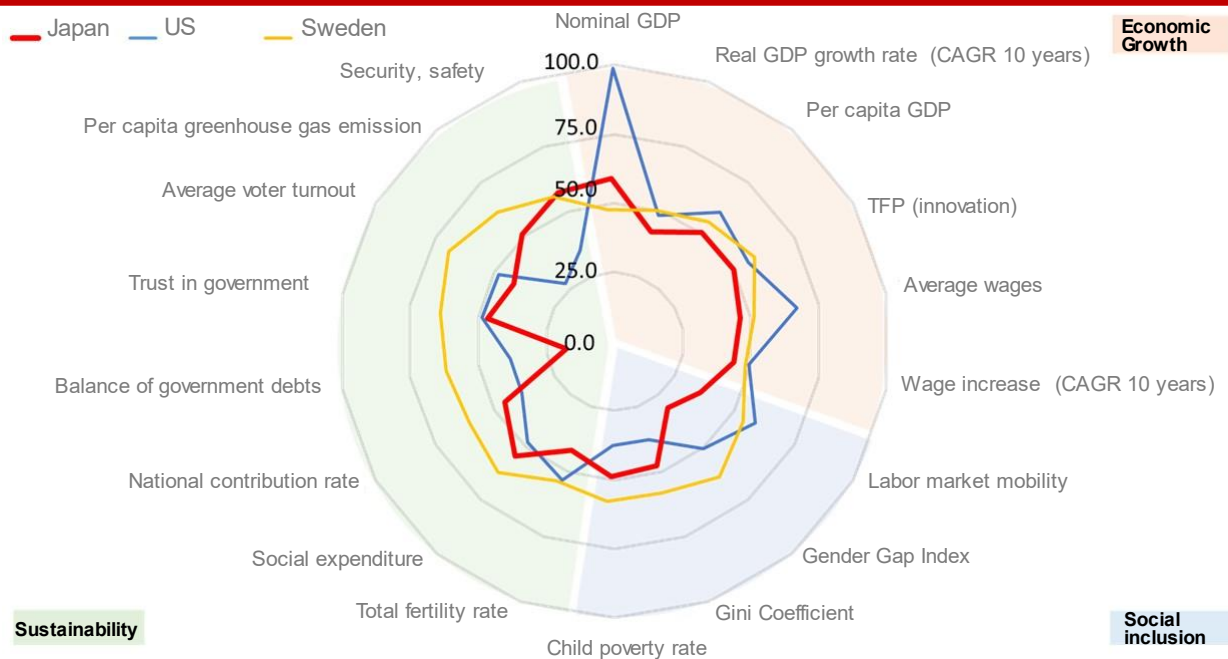
Categories	Indices	Japan	US	Germany	Sweden	France	Remarks on Indices: Values that mean higher deviation scores
Economic growth	NominalGDP	58.4	98.3	55.3	47.0	52.3	Higher figures
	Real GDPgrowth rate (CAGR 10 years)	41.7	48.0	46.2	49.7	42.9	Higher rates
	Per capita GDP	50.8	60.3	53.3	55.8	50.8	Higher figures
	TFP (innovation)	50.9	56.6	46.2	60.4	50.3	Higher rates
	Average wages	47.3	67.6	57.3	52.9	52.0	Higher figures
	Wage increase (CAGR 10 years)	44.8	50.0	50.2	49.8	45.5	Higher rates
Social inclusion	Labor market mobility (ratio of 10+ year length of service)	37.2	59.6	43.4	55.7	41.0	Lower ratio
	Gender Gap Index	31.7	51.1	57.0	61.9	54.8	Higher indices
	Gini Coefficient	47.9	38.2	55.1	56.6	54.7	Lower figures
	Child poverty rate	49.0	38.0	53.5	56.2	52.6	Lower rates
Sustainability	Total fertility rate	42.1	53.6	48.0	51.9	56.5	Higher figures
	Social expenditure	54.4	48.0	60.6	59.9	69.6	Higher spending, rate; emphasis not on deviation scores but on balance of two indices
	National contributionrate	44.6	37.9	52.8	56.4	63.5	
	Balance of government debts	16.5	37.7	51.2	57.8	41.6	Lower balance
	Trust in government	45.6	48.0	58.9	59.9	44.8	Higher ratio
	Average voter turnout	40.9	47.5	55.8	64.6	40.4	Higher ratio
	Per capita greenhouse gas emission	50.1	26.8	49.8	60.2	56.3	Lower amount
	Security, safety	56.8	34.6	54.4	54.8	45.4	Lower indices

Blue = High deviation value 50+
Red = Low deviation value 50-

The US has focused solely on economic growth, while its social disparity and global warming indices are at the opposite extreme. This has brought about serious divisions in society in a so-called trade-off relationship. It also has low scores in social expenditure, national contribution rate, and balance of government debts, operating on a balance of low-level welfare and low-level contribution. In light of the fact that zealous pursuit of growth might have caused the divisions in US society, it will be desirable for Japan to pursue per capita GDP and happiness simultaneously in order to pass on the Japanese identity to the next generation.

While the size of the Swedish economy may not be impressive, it has been able to maintain an overall high standard with a balance of the three elements. Behind this is a structure of high-level welfare and high-level contribution, which is premised on great trust in the government and the people's active political participation. In that sense, this is not a society that Japan can easily aim to realize.

Chart 3-4: What Kind of Country Does Japan Want to Be?



(5) *Seikatsusha*'s responsibility to create a future society “from now on” (KPIs for Japan’s revival)

Japan must not focus solely on economic growth like the US, regarding this as the tradeoff with social inclusion and sustainability. It is most important for Japan to maintain a secure and safe society with no extreme disparities, which is its asset. Economic prosperity is also necessary for this purpose. We must not be content with the status quo, in which the Japanese people as a whole are slowly sliding downhill and becoming poorer. We, the *Seikatsusha*, has the responsibility to create the future society “from now on.”

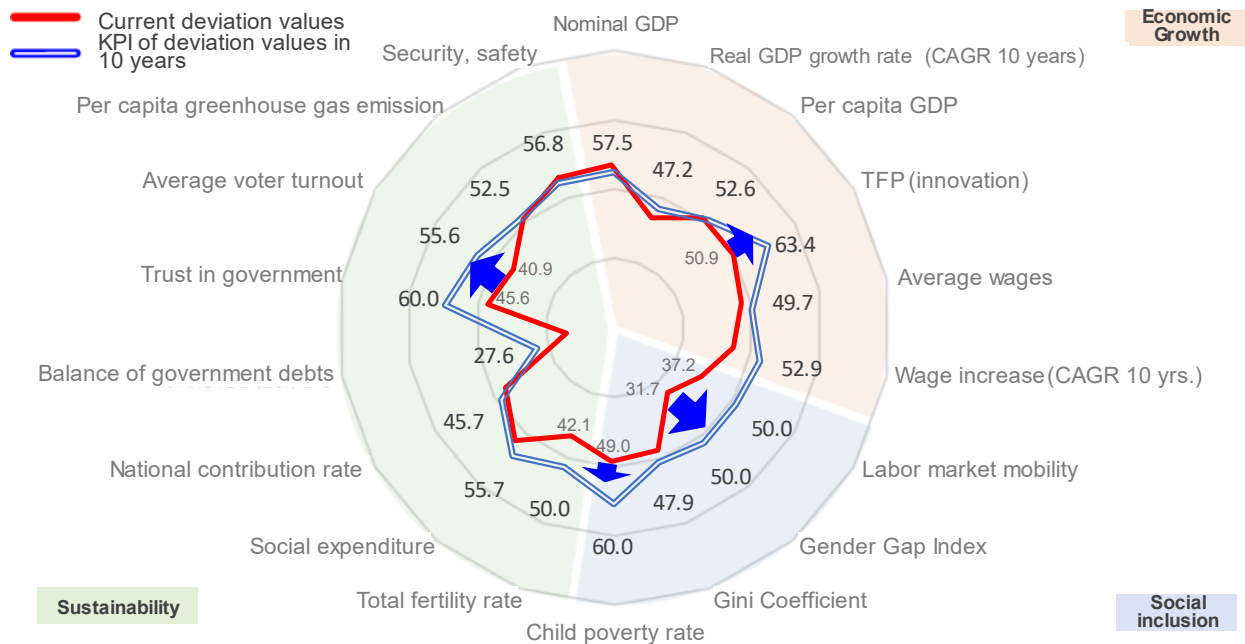
Japan’s goal is to maintain a balance of all three elements at a high level. This means that emphasis is on mutual aid that will resolve emerging problems through *Seikatsusha*’s co-creation while Japan maintains a system of middle-level welfare and middle-level contribution, the “golden mean” which is part of its identity. This will look similar to Sweden’s Scandinavian model in a radar chart, but the difference is that Japan will not be a nation with high-level welfare and high-level contribution supported mainly by public assistance. The essence of “mutual aid”¹⁶ that does not rely on government funding is bonds formed with the spirit of altruism, as well as the creation of innovations that actually solve social issues by the private sector (particularly business executives). This will also become the source of growth in the future.

A society co-created by its *Seikatsusha* pursues not only economic scale, but also multifaceted value and qualitative growth—happiness of all stakeholders in society—through *Seikatsusha*’s participation with their choices and actions. This will maximize the happiness of each *Seikatsusha*, as well as Japan as a whole. As a result, deviation values as indicated by KPIs will improve, and the circle in the radar chart will expand in a balanced manner.

In Japan, a mature economy that has entered the phase of population decline, the challenge of realizing a high standard of quality of life has just begun. Since a super aged society is

also no longer a thing of the distant future for other developed countries and Asian nations, the world is watching how Japan, with a population of over 100 million, handles this problem.

Chart 3-5: “Society Co-created by Its *Seikatsusha*” in a Radar Chart



This radar chart shows the KPIs relevant to the image of a uniquely Japanese society based on the spirit of mutual aid, where people help each other, in the not-so-distant future (in 10 years) in terms of economic growth, social inclusion, and sustainability. For the sake of quantitative comparison with the world, the KPIs are limited to certain items. Following is an explanation of their purpose and basis.

(i) Economic growth

If Japan maintains its current level of economic growth, its per capita GDP ranking in 10 years will not change. However, average wages will be close to the lower ranking group below the OECD average. In 20–30 years, its per capita GDP and average wages will both belong to the OECD’s low ranking Group F.

Chart 3-6: Current and Estimated Per Capita GDP, Average Wages

Per capita GDP in US\$ (38 OECD nations + China)

Japan at present		
Deviation value	Actual value	Ranking
50.8	\$40,049	20th/39

Estimates for Japan in the future			
	Deviation value	Actual value	Ranking
In 10 yrs	49.8	\$44,159	20th/39
In 20 yrs	48.4	\$49,047	21st/39
In 30 yrs	46.8	\$54,694	25th/39

* Following are the basis for estimates in 10–30 years
 Economic growth rate: IMF-estimated real GDP growth rate in 2027
 Inflation: Assumed to be 0 %
 Population: Based on UN medium projection

Average wages (35 OECD nations + China)

Japan at present		
Deviation value	Actual value	Ranking
47.3	\$38,515	22nd/36

Estimates for Japan in the future			
	Deviation value	Actual value	Ranking
In 10 yrs	45.1	\$38,949	26th/36
In 20 yrs	43.3	\$39,389	27th/36
In 30 yrs	42.4	\$39,833	29th/36

* Following are the basis for estimates in 10–30 years
 Wage increase rate: Average increase rate in past 10 years applied

Source: Created by Keizai Doyukai based on "OECD Data"

It goes without saying that if economic growth is sluggish, the balance of government debts (% of GDP) will worsen further. The fact that Japan may become a relatively poor country cannot be overlooked. Sustained economic growth is important if only to distribute the fruits of growth widely, while Japan also needs to maintain a certain economic presence in the world.

Since targeting an economic growth rate similar to China and the newly emerging nations is not realistic, we are using the G7's growth rate (average in the past 10 years) as a benchmark.

Chart 3-7: Real GDP Growth Rate

(Actual value: 10 -year average, 2009–19; No. of countries: 38 OECD nations + China)

Country	Deviation value	Actual value	Ranking
China	81.2	7.7%	1
Ireland	71.4	6.1%	2
Turkey	69.9	5.8%	3
Israel	59.8	4.2%	4
Costa Rica	57.2	3.8%	5
Colombia	57.0	3.7%	6
Poland	56.6	3.7%	7
Estonia	56.5	3.6%	8
Lithuania	56.1	3.6%	9
ROK	54.6	3.3%	10

Country	Deviation value	Actual value	Ranking
US	48.0	2.2%	22
Canada	47.8	2.2%	23
Germany	46.2	2.0%	26
UK	45.4	1.8%	29
France	42.9	1.4%	33
Japan	41.7	1.2%	34
Italy	35.7	0.2%	38

Source: Created by Keizai Doyukai based on "OECD Data"

KPI Economic growth rate: 10 -year average 2% (higher than G7 average)

* G7's real GDP growth rate: 10-year average 1.6% (1.7% for six nations other than Japan) Growth rate of 2% to rank above average

Japan's per capita GDP will rank 15th (currently 20th) [among 38 OECD nations + China] in 10 years if it is able to achieve a sustained economic growth rate of 2% (which is necessary to rank above the G7 average). It will rank 3rd from the current 5th among the G7, meaning it will emerge as one of the higher-ranking nations. And in 20 years, it will be close to the level of the top 10 OECD members.

Chart 3-8: Forecast Premised on Japan's 2% Economic Growth Rate (Per Capita GDP)

Per capita GDP (35 OECD nations + China)				In 10 years		In 20 years		In 30 years	
Country	Deviation value	Actual value	Ranking	Country	Ranking	Country	Ranking	Country	Ranking
Luxembourg	82.6	\$117,063	1	Luxembourg	1	Luxembourg	1	Luxembourg	1
Switzerland	70.3	\$87,351	2	Ireland	2	Ireland	2	Ireland	2
Ireland	69.5	\$85,230	3	Switzerland	3	Switzerland	3	Switzerland	3
Norway	62.0	\$67,265	4	Iceland	4	Iceland	4	Iceland	4
US	60.3	\$63,078	5	Denmark	5	Denmark	5	Denmark	5
Denmark	59.5	\$61,154	6	US	6	US	6	US	6
Iceland	58.8	\$59,387	7	Norway	7	Norway	7	Japan	7
Australia	56.1	\$52,848	8	Australia	8	Australia	8	Australia	8
Netherlands	55.9	\$52,456	9	Sweden	9	Sweden	9	Sweden	9
Sweden	55.8	\$52,170	10	Netherlands	10	Netherlands	10	Israel	10
Germany	53.3	\$46,216	13	Germany	14	Japan	12	ROK	17
Canada	52.1	\$43,307	16	Japan	15	Germany	15	Germany	18
UK	51.2	\$41,127	18	Canada	18	ROK	18	France	22
France	50.8	\$40,162	19	UK	19	UK	19	UK	23
Japan	50.8	\$40,049	20	France	20	Canada	20	Canada	24
Italy	47.4	\$31,707	21	ROK	21	France	21	Italy	32
ROK	47.3	\$31,638	22	Italy	22	Italy	28		

* (Basis of forecast) Economic growth rate: Japan 2% real growth; IMF-estimated real GDP growth rate in 2027 applied to other countries
Inflation: Assumed to be 0% Population: Based on UN medium projection

KPI Per capita GDP: 3rd in G7 (In 20 years: One of top 10 among 38 OECD nations + China)

In terms of average wages, which is the indicator for the economic prosperity of individual citizens, if an annual increase of 2% in real terms is achieved along with economic growth, Japan will move to 20th place in the OECD—the average level—in 10 years. In 20 years, it will be mid-ranking (4th) in the G7.

Chart 3-9: Forecast Premised on Japan's 2% Wage Increase Rate (Average Wages)

Average wages (35 OECD nations + China)				In 10 years		In 20 years		In 30 years	
Country	Deviation value	Actual value	Ranking	Country	Ranking	Country	Ranking	Country	Ranking
US	67.6	\$69,392	1	Ireland	1	Ireland	1	Iceland	1
Iceland	66.3	\$67,488	2	US	2	US	2	Lithuania	2
Luxembourg	65.3	\$65,854	3	Luxembourg	3	Lithuania	3	Latvia	3
Switzerland	64.6	\$64,824	4	Switzerland	4	Latvia	4	US	4
Netherlands	60.6	\$58,828	5	Denmark	5	Germany	5	Estonia	5
Denmark	60.4	\$58,430	6	Norway	6	Luxembourg	6	Germany	6
Norway	58.6	\$55,780	7	Germany	7	Switzerland	7	Canada	7
Canada	58.4	\$55,342	8	Canada	8	Norway	8	Norway	8
Australia	58.3	\$55,206	9	Netherlands	9	Canada	9	Poland	9
Belgium	57.7	\$54,327	10	Australia	10	Denmark	10	Luxembourg	10
Germany	57.3	\$53,745	11	ROK	17	Japan	15	Japan	12
UK	53.0	\$47,147	14	UK	18	ROK	17	ROK	16
France	52.0	\$45,581	17	Japan	20	France	21	France	24
ROK	49.6	\$41,960	19	France	21	UK	26	UK	27
Japan	47.3	\$38,515	22	Italy	29	Italy	30	Italy	32
Italy	46.8	\$37,769	24						

(Japan: \$46,949) (Japan: \$57,231) (Japan: \$69,764)

* (Basis of forecast) Rate of wage increase: Japan 2% increase; average increase rate in past 10 years applied to other countries

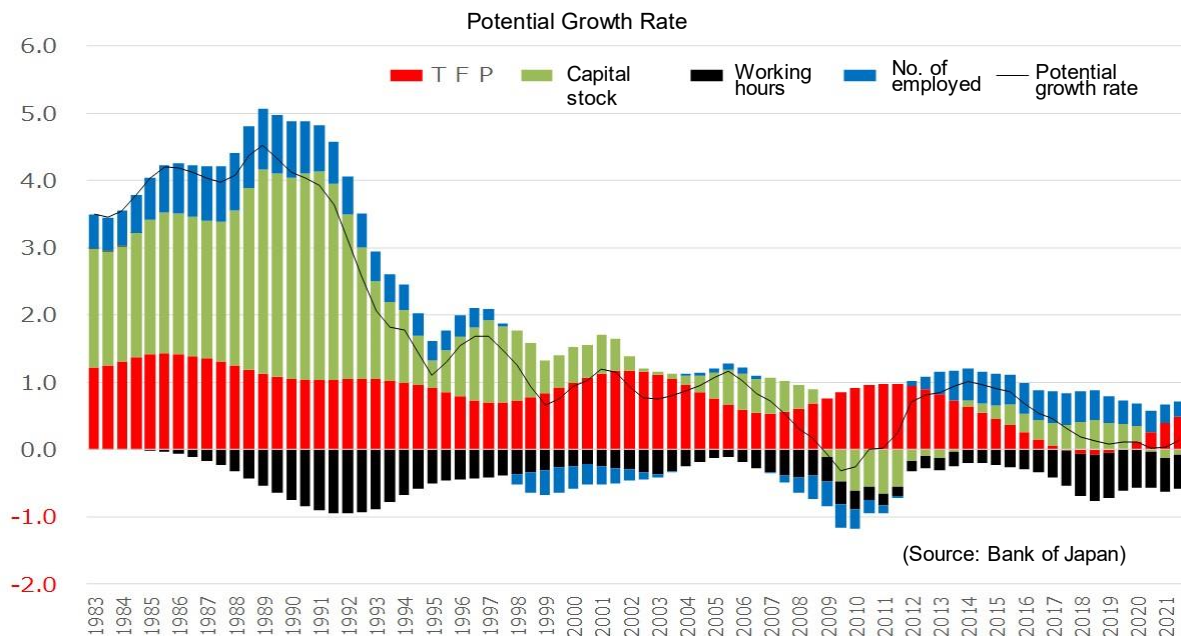
KPI Average wages: above middle (20th place) (In 20 years: above middle in G7 (4th place))

However, we are aware that a sustained 2% growth rate is a tall order, considering this had never been achieved in the past 40 years (1981–2021), except during the bubble economy years, as can be seen from Japan’s real GDP growth during this period.

According to the Bank of Japan’s estimates, Japan’s potential growth rate has been languishing at the lower-0% level, and it will be difficult to bring about a major reversal in the decline of labor and capital input. Innovation that triggers a rise in TFP is indispensable for economic growth.

To that end, diversity and inclusion (D&I), which will be discussed below, are important. Good clash triggered by diversity is conducive to generating innovation. Chapter 4 will discuss growth in more detail.

Chart 3-10: Change in Potential Growth Rate



(ii) Social inclusion

Amid the population decline, it is important to create an environment where diverse human resources, regardless of gender, age, and career experience, can give full play to their potential based on their will and capability, and to develop a society where all members can participate in value creation. Two main steps are necessary for this purpose.

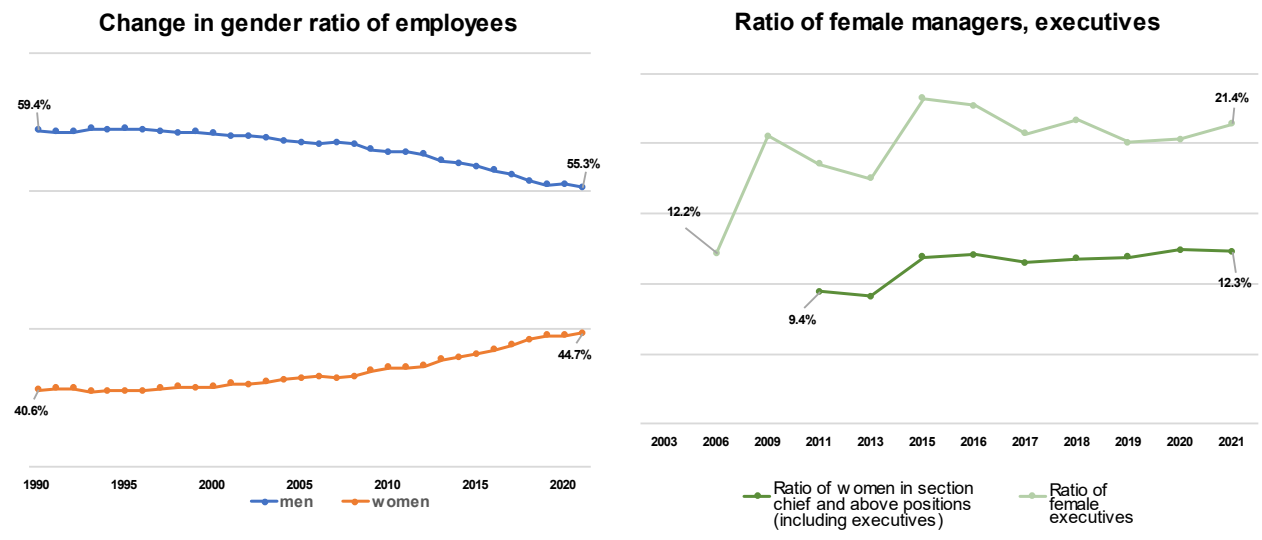
Diversity and inclusion:

First is Diversity and Inclusion (D&I). Let us look at gender ratios, the most familiar diversity index. In Japan, the ratio of men and women in the workforce is 55:45, which is almost even. However, the ratio of female managers is still low: 12% in section chief and above positions and 21% for executives. Unconscious gender bias still exists.

Since work duties and business environment are different for each sector and company, setting a uniform numerical target is probably not the best solution.

However, business executives must set a clear numerical target based on the situation in their companies, announce it internally and outside the company, and actively promote the appointment of women. In addition, they must pursue a high level of diversity, not only in terms of gender, but also age, race, and so forth.

Chart 3-11: Gender Ratio of Workers, Ratio of Female Managers



* Survey conducted every 23 years before 2015.
No data on ratio of women in section chief and above positions before 2010.

Source: Ministry of Internal Affairs and Communications "Labour Force Survey" Source: MHLW "Basic Survey of Gender Equality in Employment Management"

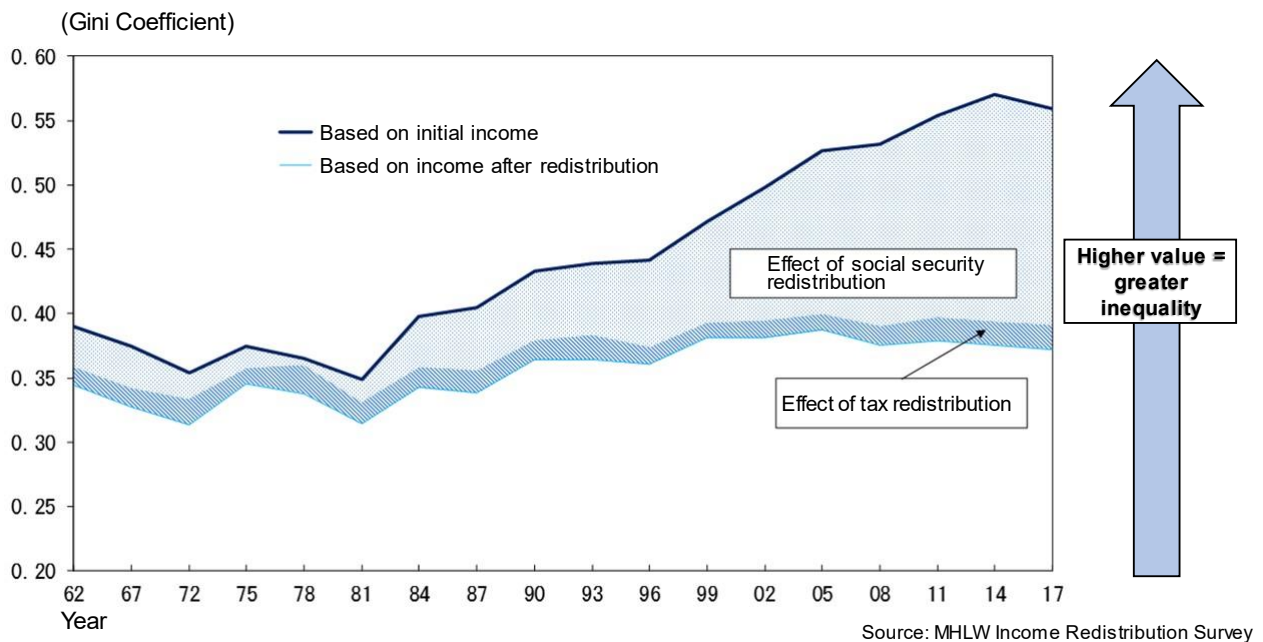
KPI Gender Gap Index = Deviation value 50 level (currently 31.7)

Disparity:

Another issue is the creation of an environment in which children and young people, the masters of the future, can grow in a secure and safe environment that nurtures their individuality and independence.

Japan's Gini coefficient has risen in terms of initial income but has remained essentially unchanged for the past 40 years when it comes to income after redistribution. It would appear that it is a society of minimal disparity and equal opportunity.

Chart 3-12: Change in Japan's Gini Coefficient

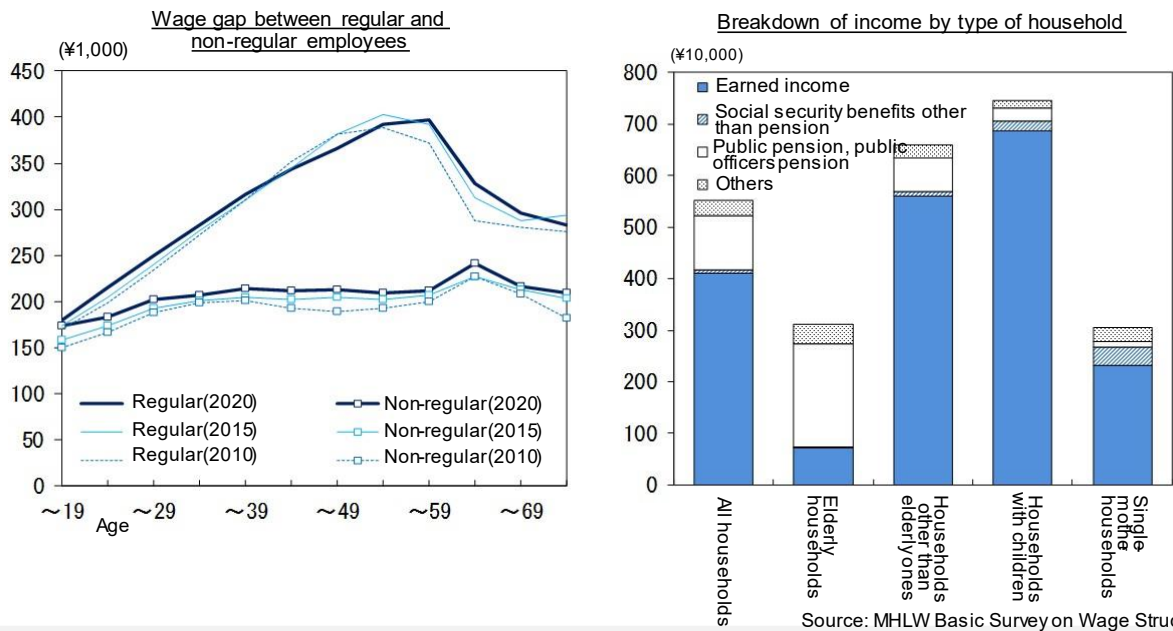


However, there are clearly problems with the safety net for the truly economically weak. For example, the disparity and distribution bias based on the type of employment. The wage gap between regular and non-regular employees grows for people in their 20s to people in their 50s. By type of household, sufficient social security and safety net is not provided to single-mother households, which tend to earn relatively low income.

Child poverty rate in 2018 was 13.5%, which was a deviation value of 49 among OECD nations. Allocation of resources to education and the childrearing generation should be promoted with the aim of lifting the deviation value to 60 (= child poverty rate of 6.7%) on par with the Scandinavian countries.

Furthermore, distribution efforts must not stop at breaking the “cycle of poverty.” An overall scrutiny of all relevant systems and comprehensive reforms are indispensable, including correcting the wage gap based on workstyle and type of employment, strengthening investment in human resources by all corporate sectors, and updating education systems to nurture children’s individuality and independence. A detailed discussion of distribution, including taxation systems, will be made in Chapter 5.

Chart 3-13: Room for Improvement in Social Security, Safety Net



Source: MHLW Basic Survey on Wage Structure

KPI Child poverty rate: 6.7% = Deviation value 60 level (13.5% in 2018)

(iii) Sustainability

Total fertility rate:

From the standpoint of a country’s sustainability, the population issue comes first. While this is not an area that can be improved overnight, it is also not an issue that can be deferred.

Japan’s birth rate has continued to slide from over 2 in the 1970s to 1.36 in 2019. It is one of the low-ranking countries in the OECD and even among the G7. Its population is projected to drop below 120 million by 2029 and continue to decline after that, expected to go below 100 million by 2053.

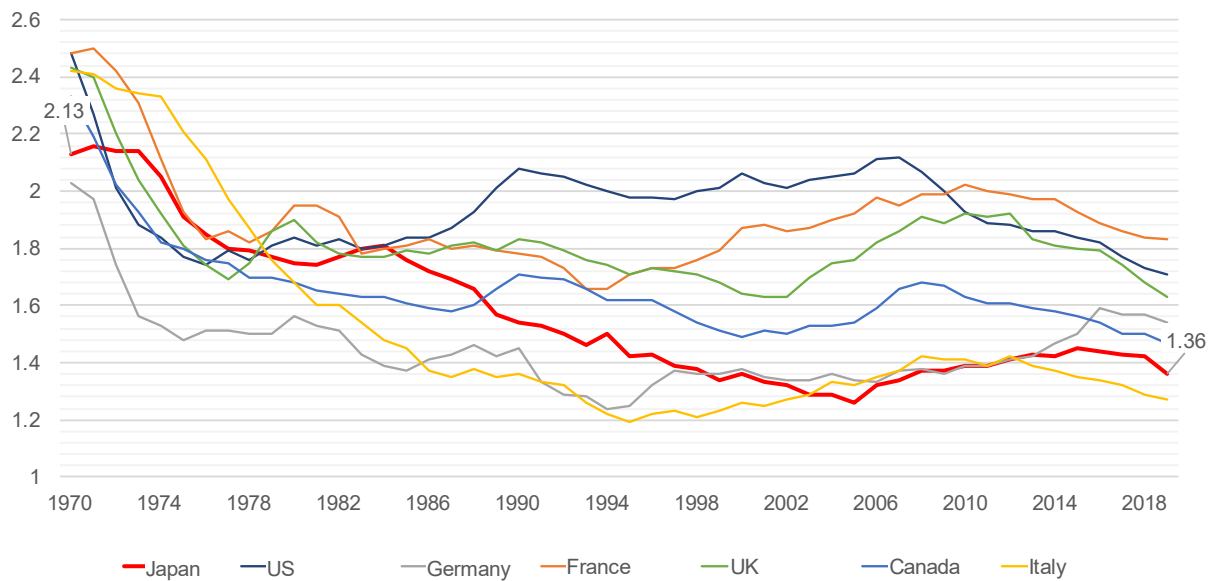
Japan currently has the highest aging rate (ratio of elderly people) (28.9%) in the world. This is expected to continue to rise, while the productive population supporting the elderly will decline faster and faster. In terms of medical costs, 1.5 persons of the working generation will have to support one senior citizen in FY2040.

What companies can do in this regard is to foster an organizational culture and design and operate a system conducive to childbearing and childcare. In particular, workstyles with no location and time constraints, e.g. telework and flex time, and men’s childcare leave system should not only be empty talk; KPIs should be set and implemented for the proper operation of these systems, and the sharing of supportive values inside the organization is necessary.

In addition to government policies, we would like to set a target to improve the index to the average of OECD countries (1.36 → 1.61) through companies’

implementation of the above.

Chart 3-14: Total Fertility Rate (Comparison of G7 Nations)



Source: Created by Keizai Doyukai based on "OECD Data"

KPI Total fertility rate: 1.61% = Deviation value 50 level (1.36% in 2019)

Sustainability of social security systems and government finances:

The Japanese social security systems are premised on a low tax contribution, so this is a structure that relies on lopsided contribution of the working generation and the issuance of deficit-covering government bonds. As a result, there is lack of balance between social expenditure and the national contribution rate (middle-level welfare and low-level contribution), and this has become the main reason for the ballooning of the balance of government debts.

Social insurance premium paid by the working generation has increased 1.8 times over the past 30 years, thus consistently curbing their disposable income. If this situation remains unchanged, there will be a limit to the ability to support the ever-increasing costs of pension, medical treatment, and nursing care for the elderly generation. It will not be possible to cover all the costs by simply taking from the easy targets.

This, together with insecurity about the future, has made it difficult for personal consumption to grow even with an increase in salary income.

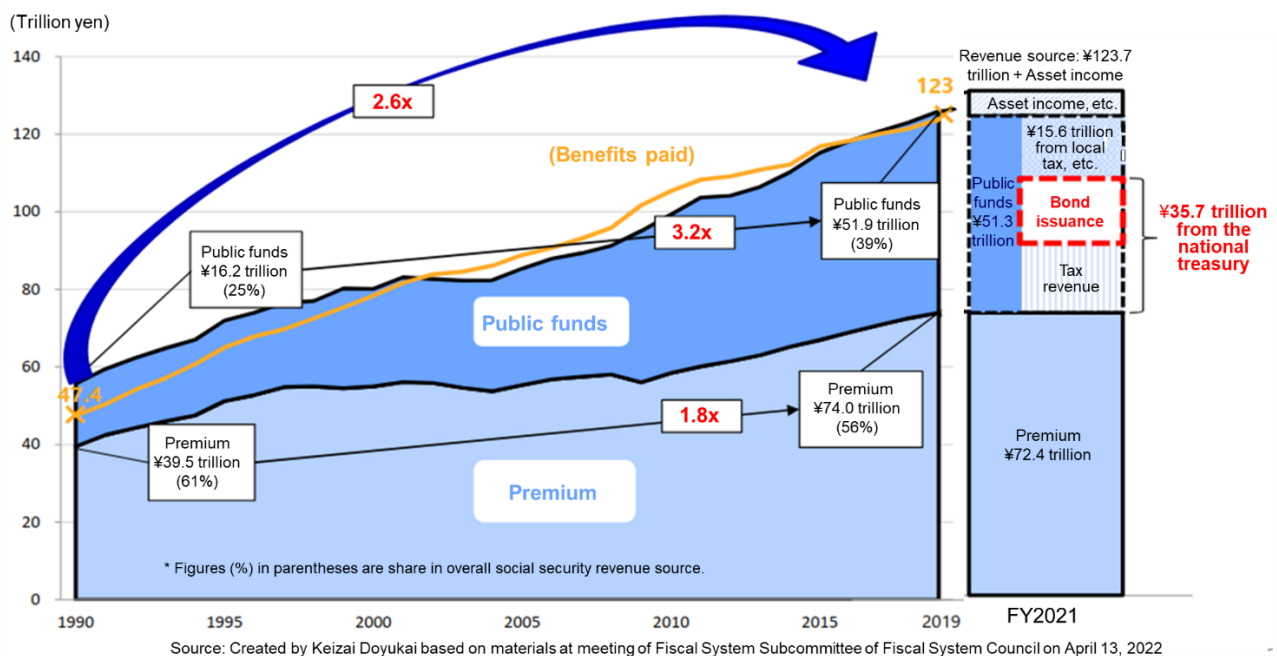
A virtuous cycle of economic growth and wage increase is indispensable for achieving a sustainable fiscal position, and a review of the current structure of lopsided contribution on the working generation is inevitable. It is necessary to shift to a revenue structure centered on the consumption tax under which the contribution is spread out thinly among the consumers.

Furthermore, under the present condition, it is highly possible that the younger generation will be disadvantaged in the future. A mechanism to provide adequate information for the younger generation to make decisions about their own future,

including on financial matters, is necessary. A fiscal body responsible for long-term estimates on the economy, government finances, and social security independent from the political and administrative authorities should be set up to proactively provide information to people of all generations.

With regard to KPIs, since it will take an extraordinary length of time for policies to deal with the essential issues of low birth rate, aging, and population decline to be formulated and produce results, we are tackling the issue of revenue sources for social security within the limit of not raising the current national contribution rate significantly for at least 10 years from now. (Specifically, medical charges according to the ability to pay, one-coin cost of medical consultations, and raising the consumption tax by 3 percentage points over 10 years.)

Chart 3-15: Change in Social Security Spending and Fiscal Position



Trust in the government, voter turnout:

If Japan intends to tap the power of *Seikatsusha* to become a country that achieves economic growth, it will have to aim at attaining top class political participation among the OECD nations, restore trust in government, and incorporate the voice of diverse *Seikatsusha* of all ages, genders, etc. in policymaking.

To serve as basis for *Seikatsusha* to judge the merits and demerits of policies, politicians and the government have the obligation to clarify short-term and mid/long-term benefits and contribution and present options for the present and the future.

Even if populist policies can gain short-term *Seikatsusha* support, politics that imposes unexpected mid/long-term contribution cannot gain *Seikatsusha*'s trust. On

the other hand, *Seikatsusha* must be prepared to fulfill the duties of paying taxes and abiding by the law in exchange for reaping the benefits of policies. They must express their will on policies.

In addition, in order to promote voters’ political participation, digital technologies need to be employed to afford greater convenience, such as by introducing Internet voting. Furthermore, means for direct expression of public opinion on specific policies and legislations, that is, a mechanism to complement democracy with digital technologies, is also necessary. Politics that respects the diversity of individual opinions is precisely what is needed in a society that tolerates different values and lifestyles.

Through the above measures, there will be greater opportunity to discuss policy and vote regardless of age bracket. We will realize a society of political participation by all generations by achieving a voter turnout of 75%, which will surpass the past record of 73.3% set in a House of Representatives election (the 1990 election after the Lower House was dissolved over the introduction of the consumption tax).

Chart 3-16: Trust in Government, Voter Turnout

Trust in government

Present status (among 38 OECD members)

Country	Deviation value	Actual value	Ranking
Sweden	59.9	67.1%	7
Germany	58.9	65.4%	8
US	48.0	46.5%	17
Japan	45.6	42.3%	24
France	44.8	41.0%	25

Voter turnout

Present status (among 38 OECD members)

Country	Deviation value	Actual value	Ranking
Sweden	64.6	85.9%	5
Germany	55.8	74.7%	13
US	47.5	64.3%	22
Japan	40.9	55.9%	30
France	40.4	55.3%	31

KPI Trust in government: 68.1% = Deviation value 60 (7th place)

Voter turnout: 75.0% = Deviation value 55.6 (13th place)

So far, we have explained various indices for Japan’s goals for the future, especially the basis for setting the KPIs, from the standpoints of “economic growth,” “social inclusion,” and “sustainability.”

GDP¹⁷ includes only transactions in goods and services in the domestic market and through international trade. It does not include elements that do not pass through the market, such as the loss of natural environment or contribution to the solution of social issues, so this is not suitable for use as an index to measure happiness that has to do with quality of life, sustainability, and so forth. The radar charts above were created with the addition of supplementary items, but the 18 items in the chart do not represent the whole picture.

With regard to indicators to measure happiness, former French President Nicolas Sarkozy once set up the “Commission on the Measurement of Economic

Performance and Social Progress” headed by Nobel Prize in Economics laureate Prof. Joseph Stiglitz in 2008. The commission made a recommendation on the need for governments to develop metrics necessary to measure the people’s level of happiness. Based on this, OECD¹⁸ announced the “Better Life Index” in 2011 and various research projects¹⁹ were also prompted both in Japan and overseas and by local governments and other bodies. Attempts have also been made to apply the findings in policies.

In recent years, Japan’s concept of “*ikigai* [reason for living]” has been introduced at the World Economic Forum (WEF) and on other occasions, thus becoming a subject of interest in the world. For lack of a suitable English translation, the term “*ikigai*” is now widely used. This is a thinking that has existed since the olden times in Japan, a society of longevity, and is the secret to living a long, healthy, and happy life. We have great hopes for research on “*ikigai*” in terms of its mechanism for enhancing happiness, quantification, and so on.

Today, when “sustainability” is regarded to be important in all matters and sustained growth is necessary, Japan should be actively involved in research in the international community in this area. Keizai Doyukai will also cooperate in this effort. Furthermore, this index will also be discussed in the Future Selection Forum and other meetings, and we will continue to follow this issue.

* Chapter 3 Notes

16 Excerpt from Keizai Doyukai, “FY2022 (37th) Karuizawa Appeal 2022: Striving for a Society Co-created by Its *Seikatsusha*—Virtuous Cycle of Growth, Investment, and Distribution.”

“... Facing the critical fiscal conditions, we cannot keep depending on the government’s public assistance for solving increasingly complex and expanding social challenges. Instead, our future growth will originate from continuously solving social issues using a power of the private sector or, in other words, from generating innovation and growth from “mutual assistance” not depending on the power of the government and public finance. Thus, companies lead open collaborations with NPOs, NGOs, universities, research institutions, and communities, gain sympathy of social stakeholders, and invigorate ambitions of younger generations. Through these collaborations, the companies reform the organizations and business management of their own...”

17 The concept of GDP was developed during the period between the Great Depression in the 1930s and World War II. The US government asked economist Simon Kuznets to devise a way to gauge the economic scale lost during the Great Depression, the amount of military procurement required to fight the war, and so forth. The US’s GDP statistics was released for the first time in 1942.

18 OECD uses the term “well-being” for level of happiness.

19 Keizai Doyukai, “Reform of Economic Statistics and Corporate Action Aimed at Advancing Prosperity: Recommendation of GNI-Plus as a New Set of Metrics” (Sept. 28, 2016).

Chart 3-17: Particulars of Indices Used as Metrics

Categories	Indices	Remarks on Indices: Values that mean higher deviation scores	Data description	Source
Economic growth (6 indices)	Nominal GDP	Higher figures	In US\$ (2020)	IMF
	Real GDP growth rate	Higher rates	Average of real GDP growth rate from 2009 to 2019	IMF
	Per capita GDP	Higher figures	In US\$ (2020)	IMF
	TFP (innovation)	Higher rates	TFP (Total Factor Productivity) is calculated from the residual after subtracting "capital" and "labor" in potential growth rate	OECD
	Average wages	Higher figures	In US\$ (2020)	OECD
	Wage increase	Higher rates	Yearly average of average wage increase from 2010 to 2020	OECD
Social inclusion (4 indices)	Labor market mobility (ratio of 10+ years length of service)	Lower ratio	Ratio of regular employees in private companies with length of service of over 10 years	OECD
	Gender Gap Index	Higher indices	Score for gender gap based on 14 indices in political, economic, education, and health fields (0 = perfect inequality; 1 = perfect equality)	WEF
	Gini Coefficient	Lower figures	Value showing income inequality in society after tax and social security redistribution (the closer to 1, the greater is the disparity)	OECD
	Child poverty rate	Lower rates	Ratio of children up to 17 years old in households where per capita disposable income is less than ½ of the median	OECD

Categories	Indices	Remarks on Indices: Values that mean higher deviation scores	Data description	Source
Sustainability (8 indices)	Total fertility rate	Higher figures	Total fertility rate by age of women from 15-49 years old. "Number of children a woman gives birth to during lifetime"	OECD
	Social expenditure (in GDP)	Higher spending, rate (emphasis not on deviation scores but on balance between two indices)	Ratio in GDP of cash benefits, direct kind provision of goods and services, tax cuts for social purposes, etc.	OECD
	National burden rate		Sum of tax burden rate and social security burden rate	Ministry of Finance
	Balance of government debts	Lower balance	Ratio in GDP of general government debts (including central and local governments, social security funds)	IMF
	Trust in government	Higher ratio	Ratio of people who said they trust their government in opinion surveys (%)	OECD
	Average voter turnout	Higher ratio	Average voter turnout in three latest parliamentary elections	IDEA*1
	Per capita greenhouse gas emission	Lower amount	Per capita emission of CO ₂ , methane, nitrous oxide, freon gas, etc.	OECD
	Security, safety (Global Peace Index)	Lower indices	Index of level of peace based on 24 criteria, including violent crimes, murder, no. of police officers and soldiers, and political stability	IEP*2

*1 IDEA: The International Institute for Democracy and Electoral Assistance, Sweden

*2 IEP: The Institute for Economics and Peace, Australia

Chapter 4: Strengthening the Foundation for Value Creation and Growth through Uniquely Japanese Innovation

A virtuous cycle of growth and distribution is indispensable for the realization of our goal of a society co-created by its *Seikatsusha*. First, Japan needs to achieve sustained economic growth through uniquely Japanese innovation.

We will take stock of the state of education, which is the very starting point; long-term investment in human resources and digital technology to build and strengthen the foundation for value creation; and the creation of value added based on the Japanese-style spirit of altruism. We propose a “declaration of one innovation per *Seikatsusha* (tentative name)” in order to increase the overall amount of challenges, setting up a “Council for Strengthening the Competitiveness of Small and Mid-sized Enterprises (tentative name)” in order to strengthen the competitiveness of SMEs; building an ecosystem for social implementation; and such other measures.

(1) Education that respects individuality and nurtures the ability to survive in the future

There is no doubt that Japan’s education system has a lot to do with the negligence of politics, administration, and companies in the lost three decades. Japan’s education, which helped achieve the country’s miraculous postwar reconstruction and preserve its position as the number two economy in the world for 42 years, still boasts of a high standard even today.

However, with the maturing of the advanced nations’ economies in an era of accelerated globalization and digitization, Japan must strive to transform education at an early date to nurture human resources needed to resolve social issues and realize sustained economic growth.

It is particularly important to establish a system to support children’s diversified learning and offer education that caters to children’s individual interest, focus of attention, and learning style and respects individuality. This will produce talents with no unconscious bias, with true diversity and a high level of creativity and people who are able to forge their own future.

(2) Build and strengthen the foundation for value creation through long-term investment in human resources and digital technology

To continuously create value added and achieve economic growth, it is essential to build and strengthen the foundation for those.

Looking at labor, one of the three elements of production, the per capita GDP of Japan’s productive age population maintains a high standard, ranking third in the G7 after the US and Germany. However, it must be noted that even with radical measures to deal with low birth rate, decline in the productive age population is inevitable in the long run.

Therefore, it is necessary to promote “investment in people,” “mobility of manpower,” and “utilization of foreign talents,” which will determine national power in the next 10 or 20 years. Digitization is not only essential for the economy, but also for greater efficiency and reliability of administrative services. This will be further strengthened as an infrastructure

in the society co-created by its *Seikatsusha*.

Human resources and digital technology at the core of the foundation for value creation are the source of national power. Intensive, long-term, and continuous investment is necessary.

(3) Creation of value added based on the spirit of altruism and purpose

In addition to innovation aimed at value creation for oneself, one's company, and one's country driven by motivations of self-interest, we will transform society with innovation for others, other companies, and other countries based on the spirit of altruism. In particular, efforts rooted in "sanpoyoshi" [good for the seller, the buyer and society at large], bushido, and other aspects of intrinsic Japanese tradition, culture, and spirit will enable Japan to create unique value no other countries can create.

The super long-term goal of social transformation through self-interest and altruistic efforts is to enhance the sustainability of humankind and the earth. Therefore, if we look at where we stand from this ultimate goal, as many *Seikatsusha* and companies as possible should take up the challenge of innovation. Japan's revival will not be possible without such courage and actions.

Japan has always been good at generating innovation with a strong will and purpose. This, precisely, is uniquely Japanese innovation.

In terms of purpose-driven organizations, what comes to mind at once is NPOs. They carry out projects in such areas as environmental conservation and assistance for the poor as non-profit activities.

Considering the sustainability of ordinary companies, it will be desirable for purpose and profit to overlap. Startups and venture companies are also focusing on social issues and creating value added by resolving these issues in their drive for business reproduction. In short, they aim at realizing the growth of their companies by upholding problem solving as their purpose and using social issues as nourishment.

Although we hope that major companies and SMEs will take up such challenges, the bottleneck is the severe shortage of suitable human resources. In reality, workers who seek to find a "company" rather than a job tend to lose sight of their own purpose eventually after they join a company. Since the greatest passion is born when the company's purpose and individual purpose coincide, flexible labor mobility and corporate messaging on its purpose are very important for the creation of value added.

(4) Creation of value added by increasing the overall amount of challenges and strengthening competitiveness of SMEs

The existence of highly educated *Seikatsusha*, including a substantial middle class, is a strength of Japan unrivalled by other countries. As a matter of fact, Japanese companies are known to have contributed significantly to the people's happiness not only through manufacturing, but also through the service industries and innovations that helped solve social issues.

Therefore, if *Seikatsusha* take up all kinds of challenges, they will generate innovations, and if the overall amount of challenges increase, there will be a higher probability of

innovation. At the same time, *Seikatsusha* are the ones creating new products and services and realizing social implementation through innovation while also accepting the changes brought about by innovation. Therefore, it is necessary to launch a national movement to instill a positive attitude toward innovation.

For this reason, we propose the expansion of the overall amount of challenges, aiming at a “declaration of one innovation per *Seikatsusha* (tentative name).” This will not only bring about a higher probability of innovation but will also help nurture a “culture and mentality of supporting challenges, tolerating failures, and honoring the successful,” one area Japan lacks in.

Innovation comes in various forms: in products, services, the market, supply chains, business models, and so forth. There have been countless innovations made by Japanese companies that have changed society significantly. It is not hard to imagine that they came about at the end of several or even several dozens of challenges. While most challenges ended in failure, they eventually created new markets and jobs by learning lessons from the experience and making breakthroughs later.

Japan is said to be backward in the area of diversity. On the other hand, this means that there is great room for strengthening “diversity × innovation.” Good clash resulting from the combination and new fusion of dissimilar elements will serve as driving force for innovation in the society co-created by its *Seikatsusha*.

Chart 4-1: Diverse Innovations

Wage national campaign with “innovation declaration”



Stepping up value creation by SMEs, which make up 99.7% of companies and employ 70% of workers in Japan, will create a virtuous cycle of production and consumption and put the economy on the track of self-sustained growth. Therefore, we propose that the government set up a “Council for Strengthening the Competitiveness of Small and Mid-sized Enterprises (tentative name)” tasked with formulating comprehensive policies for the succession of SMEs, raising their level, and broadening their base.

In addition, in order to nurture the seeds of innovation from a point, to a line, and to a plane, startups' meeting and collaboration with big companies should be further promoted.

(5) Creation of value added by building an ecosystem for social implementation

Japan has high-quality networks for water supply, electricity, and communication. It has high-precision railways and Shinkansen that pride themselves on punctuality and safety. It also has an agglomeration of many industries linked by highly efficient supply chains, as well as essential workers with highly specialized knowledge to support them. Considering Japan is also the top-ranking country among the G7 in terms of GDP per unit area of land, it has the potential to enjoy great advantage in the social implementation of advanced technology.

While it is part of the government's growth strategy to invest intensively in science and technology and innovation, the consistently important issue in terms of KPIs is cooperation with the industrial sectors and giving the results back to society.

We hope for dedicated efforts for R&D in the most advanced fields, such as quantum technology (including data centers) and bioscience, and dual-use technology, in order to open up industrial frontiers and make Japan a world leader once again. Furthermore, from the standpoint of economic security and fortification of supply chains, we will strive to create value added, such as by pursuing the possibility of packaging knowhow in social implementation of innovation by city or region as a Japanese model for export.

Chapter 5: Dynamic, Inclusive, and Sustainable Distribution

A virtuous cycle of growth and distribution is indispensable for realizing our goal of a society co-created by its *Seikatsusha*. With regard to distribution, let us consider new distribution based on the thinking that significant distribution is possible not only by government agencies, but also by the private sector.

The roles in new distribution are grouped into dynamic, inclusive, and sustainable distribution, and we will propose concrete policies and methods in all three areas in terms of high-quality economic growth, ensuring social equality and justice, and enhancement of sustainability of the earth environment and government finances.

(1) Idea of distribution surpassing traditional income redistribution

In a society co-created by its *Seikatsusha*, creating a virtuous cycle of growth and distribution is still extremely important for realizing the enhancement of vitality and reducing anxiety simultaneously.

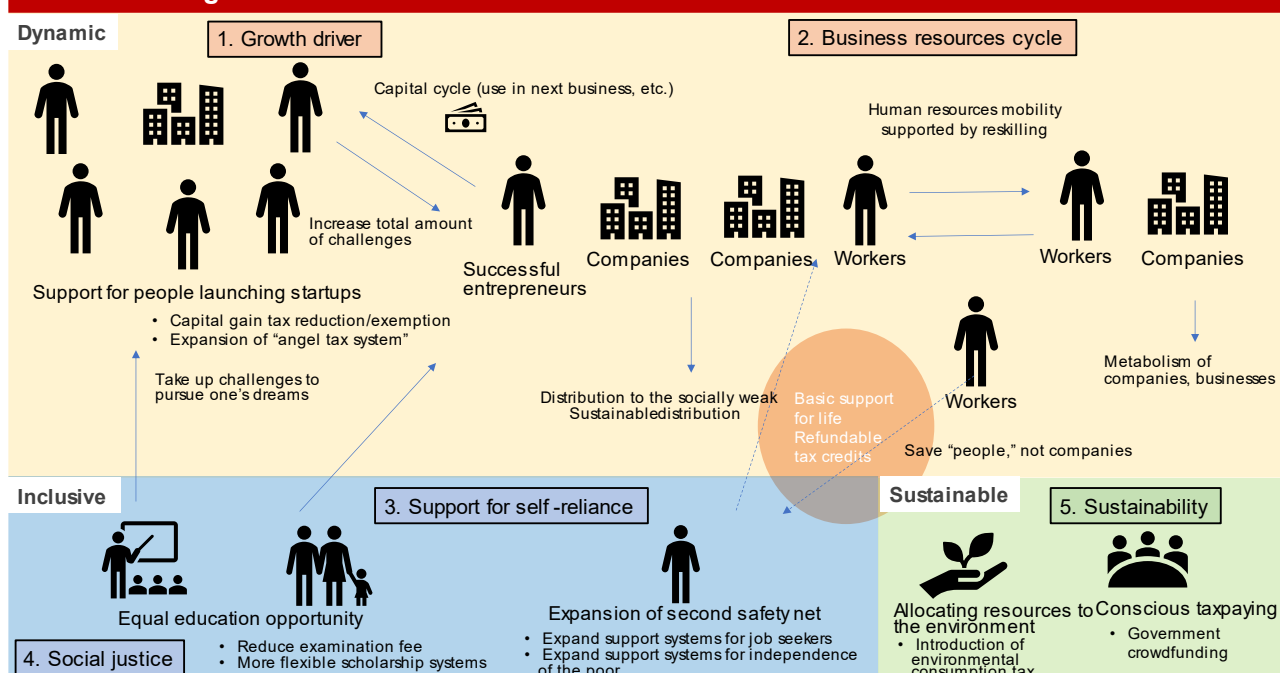
Distribution so far has been undertaken by government agencies using taxation or the social security systems to move wealth according to means in order to protect the weak in society and maintain social stability. This plays the role of ensuring social equality and justice.

On the premise that *Seikatsusha* includes not only government agencies and local governments, but also companies and all other organizations, we would like to think of new distribution as distribution by the private sector in addition to government agencies, as well as a combination of the two.

New distribution in a society co-created by its *Seikatsusha* aims at the optimum distribution of resources in the economic society. It is thought to assume three roles: dynamic, inclusive, and sustainable.

But note that effective functioning of distribution by the private sector and the government must be premised on building the digital infrastructure, using My Number and data, and trust in the policymaking authorities.

Chart 5-1: Image of Distribution



(2) Realize better-quality economic growth through dynamic distribution

First, the role of dynamic distribution is to realize a society capable of high-quality economic growth even amid the decline and aging of the population.

It is a society where the startups, which are the new pillar of growth that will drive innovation, play an active role and where industrial metabolism and the movement and rotation of business resources to high-productivity fields take place smoothly.

Following are the concrete policies and means.

- (i) Capital gains tax reduction or exemption for founders and officers of startups driving economic growth when they sell their company's stocks, expansion of the "angel tax system," etc.
- (ii) Companies, including major companies, should promote the mobility of human resources, as well as expand the circulation of personnel. The new dynamic distribution means investment in people, devoting human resources to the core business and future profitable business, reassigning the right people to the right jobs, providing human resources education, and motivating these personnel by offering attractive compensation. The executives should exercise leadership in this endeavor. In support of this effort, a taxation system conducive to wage increases, review of layoff requirements, and other steps to improve the environment are also important.
- (iii) In order to honor the successful people and encourage them to reside permanently in Japan and continue to support society, it is necessary to redesign the taxation system, taking into account a balance between "highest income tax rate" and "tax deduction for donations," "gift tax" and "inheritance tax," and so forth.

(3) Ensure social equality and justice through inclusive distribution

Second, the role of inclusive distribution is to realize a society where each *Seikatsusha* can participate and play a role.

From the standpoint of supporting self-reliance, this is a society where each *Seikatsusha* can really feel their own growth, where challenges and efforts are rewarded, and where chances for repeated attempts are available even if one fails. In terms of social equality and justice, this is also a society where self-fulfillment is possible with equal education opportunity and which is built on a proper balance between contribution according to benefits received and according to means.

The concrete policies and methods are as follows.

- (i) As a means to support self-reliance, the introduction of a system of refundable tax credits, expansion of support systems for job seekers,²⁰ self-reliance of the poor,²¹ and so forth.
- (ii) Create an environment conducive for successful people to share a certain portion of their profits and earnings with the relevant parties, and then establish a taxation system conducive to offering support to NPOs and other groups taking up the challenge of resolving social issues.
- (iii) Boldly allocate tax revenues for examination fees, tuition, and scholarships for the sake of children and young people, who are society's common property, after putting in place measures to deal with stigma and eliminate fraudulent receipt of public assistance.

(4) Enhance sustainability of the earth environment and government finances through sustainable distribution

Third, the role of sustainable distribution is to enhance the sustainability of the earth environment and government finances.

This is a society that determines benefits and contribution based on burden imposed on the environment by economic and other activities. It secures revenue sources according to the situation of decline in the productive population and aging of society.

Concrete policies and methods that contribute to the sustainability of the earth environment and government finances include the introduction of an environmental consumption tax and the use of crowd funding by the government. It is important to enhance the sustainability of the earth environment and promote conscious taxpaying by raising taxpayer consciousness.

* Chapter 5 Notes

20 The support system for job seekers offers those seeking reemployment, changing jobs, and wanting to upgrade their skills ¥100,000 per month in living assistance while they undergo free occupational training. Support is provided from the beginning to the end of training and for job hunting activities at Hello Work. More details on the MHLW website.

21 The support system for self-reliance of the poor was introduced in FY2015 as a step prior to livelihood protection, the ultimate safety net, to help them support themselves. This constitutes the multitiered safety net for the poor that implements comprehensive projects to help them achieve self-reliance and includes consultations for self-support, housing subsidies, support for preparing for employment, temporary living assistance, consultations on household finances, and study support. More details on the MHLW website.

Chapter 6: Generating Customers and Markets to Enhance Corporate Value and Evaluation

With regard to the creation of a virtuous cycle of growth and distribution, the private sector is the driving force behind growth and can be partly responsible for distribution. Therefore, companies and their executives play an important role and bear serious responsibility.

The initial role of business leaders in a society co-created by its *Seikatsusha* is to generate customers and markets. What they need to do in their management is to support challenges, tolerate failures, honor success, and nurture true leaders of the next generation.

Business leaders always have the responsibility to manage companies with an eye on the short- and long-term corporate value and explain this to all stakeholders. However, there may not be answers that satisfy everyone regarding corporate value. Honest and open discussion and exploration need to continue in the future.

(1) The role of true business executives is to generate customers and markets

Companies must constantly generate customers and increase their number to generate markets. The role of executives who are true leaders is to take the lead in the creation of new value.

Unless companies can continue to present new value to *Seikatsusha* who have diverse values, they cannot possibly sustain their growth or survive as a going concern.

Furthermore, today, when the economy and security are closely linked and have become inseparable, a division of roles different from other areas is necessary between public and private sectors when generating new markets or exploiting existing markets. On the economic front, there is no doubt that the private sector must play the leading role. On the other hand, in terms of security, there are situations where the private sector cannot respond properly. It is hoped that the government will provide the private sector with timely, appropriate, and highly predictable information and implement policies accordingly.

(2) Management that supports challenges, tolerates failures, honors success, and nurtures true leaders

As stated above, it is important to develop a “culture and mentality that supports challenges, tolerates failures, and honors successful people” in order to realize growth through uniquely Japanese innovation. However, molding Japanese society and people’s culture and mentality is a macro goal that cannot be achieved readily.

Therefore, the top managers should take the lead in practicing management that supports challenges, tolerates failures, and honors success in their daily business activities. Furthermore, current top managers must play the role of nurturing true leaders and elites²² of the next generation to pass on such management. The accumulation of such micro practices at each company will be able to help develop the culture and mentality of a country committed to innovation.

With regard to the nurturing of true leaders, Keizai Doyukai, an organization of individual business executives, started a leadership program in 2003 for the purpose of nurturing top

executives of the next generation who will also serve as leaders of society and a junior leadership program in FY2012 to develop next generation senior executives who will realize diversity in corporate decision-making boards.

Last fiscal year, Keizai Doyukai announced its intent to evolve into a “Training Tank.” Specifically, it will provide venues for exchanges among next generation leaders from big companies, startups and so forth and for direct dialogues with executives working at the frontline of business. It aims to further advance the nurturing of ambitious managers who will realize social transformation.

Chart 6-1: To Generate Innovation (Social Climate, Mentality)



Support challenge, allow failure

- ◆ An environment that allows failure is important for value creation
- ◆ A system or safety net for repeated challenges after failures is necessary

Praise successful people

- ◆ Do not obstruct people who take up challenges, create value, and drive growth
- ◆ Empathize with challengers, praise successful people

Groom true leaders

- ◆ From an era where no prominent leader is needed to an era where no course is set
- ◆ True elites and leaders needed to spearhead the creation of new value

(3) Ambidextrous management where the executives are articulate about both short- and long-term corporate value

Modern companies need to show the way to satisfy current needs, reduce burden and tediousness, and solve social problems, as well as make investments now in order to provide new value in the future. In other words, “ambidexterity” is required.

Business leaders also need to serve as storytellers on the company’s growth strategy based on its purpose to all stakeholders, including investors, and cite evidence to offer meticulous explanations on short- and long-term corporate value with confidence.

It is the job of companies to create short- and long- term value for society continuously. There is also a limit to measuring companies’ overt and latent value with stock prices and market capitalization alone. However, the fact that the market capitalization of GAFAM (Google, Amazon, Facebook, Apple, and Microsoft), US IT companies dominating the world, surpassed the total market capitalization of the First Section of the Tokyo Stock Exchange (then 2,183 companies) cannot be overlooked. How to measure unrealized financial value, such as revenue and social impact to be realized in the future through discontinuous experiments in the form of innovation, and include this in the present evaluation of companies, is a major issue.

Since unrealized financial value increases or decreases considerably depending on the executives' communicative power and dialogue with stakeholders, it is necessary for top managers to engage in messaging in their own words.

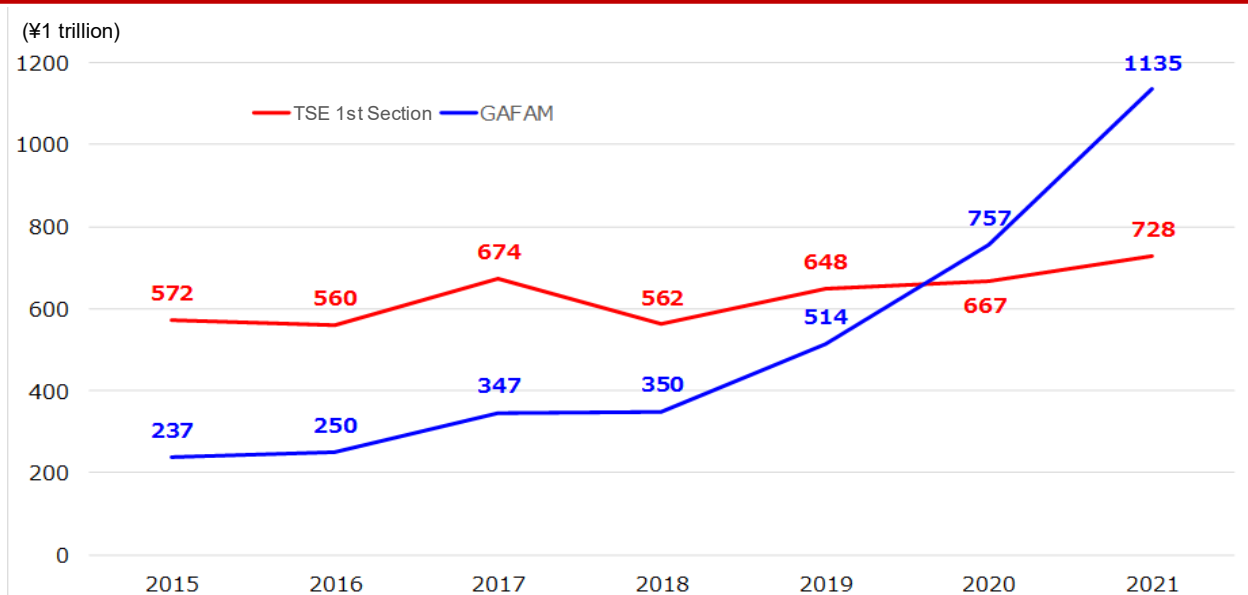
It was announced at the Council of New Form of Capitalism Realization meeting last June that new forms of corporations assuming public roles and the reform of existing corporate forms would be studied.²³ Using new legislation being adopted in the Western countries on benefit corporations and the like as reference, it is hoped that the environment will improve for pursuing both social issue resolution and economic growth simultaneously.

Nevertheless, it is easily conceivable that companies devoting management resources to their employees, the local community, the earth environment, and R&D for the sake of value creation in 10 or 20 years or boldly reforming their organizations to develop new businesses may suffer in the market's short-term evaluation since this may lead to lower revenues and dividends, resulting in drop in stock prices and the executives facing criticism.

The dismissal of Emmanuel Faber as chairman and CEO of major French food company Danone in March 2021 is still fresh in our memory. This company advocated “capitalism prioritizing people and nature” and practiced management with a clear purpose. It is believed that Faber was dismissed because of the serious drop in the company's stock prices compared to its peers and failure to improve profits in 2020. Also, the investment strategies²³ of the top 10 investors in benefit corporations in Delaware in the US (2013–2019 total) show that nine of them were profit-driven and only one sought impact investment.

As seen from the above, it is not easy to pursue solution of social problems and economic growth simultaneously and produce results. However, we would like to work on this objective in a society co-created by its *Seikatsusha* giving play to Japan's strengths.

Chart 6-2: Change in Market Capitalization of Tokyo Stock Exchange First Section and GAFAM



Source: Created by Keizai Doyukai based on “Google Finance data” and TSE Website

(4) At Keizai Doyukai, executives themselves pursue corporate value

With regard to corporate value, while taking market capitalization calculated by multiplying stock prices determined by the market based on all possible available information by the number of issued shares as corporate value is not without its problems, there is an opinion that no better method can be found.

On the other hand, another opinion is that since efforts to generate customers and markets in the long-term have unrealized financial value, it is impossible to gauge corporate value without including them.

At the same time, there is the debate on whether the capital market, the “mirror” considered to be the most important infrastructure of capitalism, is transparent and unbiased. Discussions and improvements have been undertaken consistently by all stakeholders in the market.

Yet, there is still no satisfactory answer to the question “What is corporate value?” for investors, the market, society, and *Seikatsusha*. In order to move ever closer to finding an answer, Keizai Doyukai, an organization of individual business executives, will continue to hold honest and open discussions to study this question and engage in messaging both in Japan and the world.

Advent of the “era of true business leaders” who drive innovation and growth led by the private sector

* Chapter 6 Notes

- 22 Keizai Doyukai’s proposal “Human Resources Strategy for Realizing ‘Japan, a Valuable and Indispensable Country’—Immediate Action toward a New Japan that Shines” (June 21, 2018) states that: “What we consider ‘true elite’ are talents equipped with liberal arts on par with world standards, profound insight, and an altruistic ambition (enhancement of the overall value, solution of social problems, common good) who have a “strong will,” “practical theories,” and “extreme experiences” and who can gain the trust of others and assume the responsibility of leadership. This is similar to noblesse oblige or the spirit of dogan [guardian goose].”
- 23 Council of New Form of Capitalism Realization, chaired by Japan's Prime Minister, announced last June “Grand Design and Action Plan for a New Form of Capitalism” (June 7, 2022).